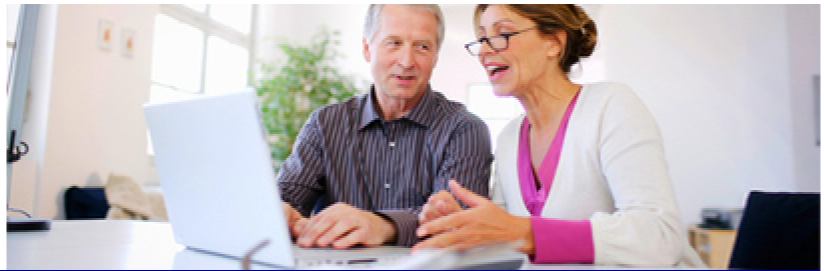

# YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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## Common Estate Planning Mistakes -- and How to Avoid Them

Estate planning can be a minefield of potential missteps, some of which could have far-reaching consequences. Many of the poor choices individuals make when planning for their own future or passing assets to their families are caused by "one-size-fits-all" planning strategies or well-intended advice from family or friends. Following are some common and potentially costly mistakes along with suggestions for avoiding them.

**Failing to plan.** Whether drafting a basic will or crafting an elaborate strategy involving trusts and tax planning, an estate plan can help reduce estate taxes, save on estate administrative costs and specify how your assets are to be distributed. Today, the majority of Americans have no will. If you die without one, your estate will be divided according to the intestacy laws of your state -- not according to your wishes. This could create problems if your intended beneficiary is a minor child, a child with special needs, a favorite charity, or a combination of the above. In these cases, you need a will that details each contingency and a trust or multiple trusts to accomplish your goals.

**Not maximizing your marital estate exemptions.** Perhaps one of the most important pieces of tax legislation passed recently is referred to as the "portability" provision. This means that if one spouse dies without using up his or her federal estate tax exemption -- $5.43 million in 2015 -- the unused portion may be transferred to the surviving spouse without incurring any federal estate tax.

How might the portability provision work in a real life situation? Consider the following scenario involving the hypothetical $8 million estate of Jim and Helen:

If Jim dies in 2015, the executor of his estate can elect to use the unlimited spousal exemption and can also transfer Jim's unused $5.43 million federal estate tax exemption to Helen. If Helen dies in 2015 with $8 million in assets, her estate will have a total of $10.86 million in federal estate-tax exemptions: the $5.43 million exclusion transferred from Jim and her own $5.43 million exclusion. As a result, none of Jim and Helen's $8 million estate would be subject to federal estate tax.

As welcome as the portability provision may be, it still does not account for future appreciation of assets from the first spouse's estate. Nor does portability offer protection from creditors and others aiming to lay claim on an estate's assets. Traditional strategies like credit shelter trusts and bypass trusts do provide these benefits and therefore are still essential planning instruments for married couples.

**Naming a family member as executor.** Your executor is the person who will be responsible for administering your estate after death. The responsibilities of an executor are serious, and you will want someone who will take them seriously. There are many important reasons to choose a paid executor -- a bank or trust company, for instance -- along with (or instead of) a spouse or family member. A professional executor is familiar with the probate process and may actually save the family money, keeping expenses under control. This will undoubtedly be an emotional time for your loved ones, and a family member may find it difficult to focus on the details involved with settling an estate. In addition, when you name a family member, especially a beneficiary as executor, you introduce the potential for conflict of interest. The larger the estate, the more likely those conflicts become.

**Relying on advice from family or friends.** Would you go to a friend or relative for surgery or to fix your car if he or she was not a skilled surgeon or auto mechanic? Why would you take their advice about estate planning issues if they are not professional planners? When seeking a professional, look for a specialist -- someone who knows trusts, estate tax law, and probate issues. A specialist will have more experience and skill in his/her chosen area -- and that will translate into higher quality services provided in the most cost effective manner.

No set of rules or advice can apply in all cases, but a sure way to avoid these and other problems is to rely on a trusted team of tax and legal professionals led by your financial advisor.

This communication is not intended to be tax and/or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax/legal professional to discuss your personal situation.



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