

AVOID COSTLY ESTATE PLANNING MISTAKES

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Most estate planning problems revolve around 7 issues which every trustmaker should carefully consider when drafting their plans.

"People are familiar with estate planning documents -- the will, the trust, the power of attorney, the insurance policies -- but they often fail to answer the less technical, but very critical, question of 'Who takes care of things when something happens?'"

No. 1: Ignoring the People Side of Planning: Preoccupation with all the technical questions involving laws, and taxes and paperwork does not mean your support network is in place.

In today's complex world, your estate plan should have three roles filled by people you specifically designate: a financial adviser, an accountant and an attorney.

Select these advisers carefully, and include them in your planning process, so everyone is ready well in advance of your disability or death.

No. 2: Planning Driven by Tax and Probate Avoidance versus Distribution: There is an art to putting together a distribution plan that makes sense for both your estate and your heirs.

For example, should a college student inherit everything in one lump sum or would staggered payments be more prudent? Distribution timing, incentives and disincentives, and asset protection for unexpected disasters carry implications which go far beyond the typical desires of avoiding taxes and probate.

No. 3: Distributing Based on Percentages Instead of the Real Dollars/Assets: Estate planning requires accurate calculation of assets. Using true numbers allows you to consider how much inheritance is enough and what is to be done with what is left.

Should funds be delineated for specific uses -- such as education -- and should there be incentives for assets left in trust for following generations? Thoughtful distribution entails more than an exercise in mathematical percentages.

No. 4: UNDER-insuring (or OVER-insuring): Many plans have not had insurance needs reviewed and are inappropriately insured.

While no one likes to pay for insurance which may never be used, the risk of under-insuring is shortsighted thinking in estate planning. Older people, on the other hand, are often over-insured because they have continued to pay for policies after the need for them is over. The bottom line here is that insurance, when used correctly, can be a helpful tool in estate planning.

No. 5: Relying on the Wrong Agents for the Wrong Reasons: Executors, trustees and those with power of attorney assume responsibilities that are critical to the successful transfer of assets from one generation to the next. Yet not everyone is equally skilled, or able, to handle these duties.

Best friends, adult children and even well-meaning family members should be carefully considered concerning their ability to act effectively with all the tasks involved with being a trustee. Planners recommend that people carefully consider these factors before making purely emotional selections.

No. 6: Failing to Title & Designate Beneficiaries Correctly: This is the single most common mistake made in estate planning.

The number of unintended probates is common simply because assets are inadvertently left out of plans, or beneficiary lists are not kept current. No one knows when an estate plan will go into effect so it should always be accurate and ready.

No. 7: Setting It and Forgetting It: Estate planning is a process, not a one-time event. As people move forward, and life-changes occur, all plans become stale and out of date.

At least once every five years or if there are major changes in your life or estate it is important to review, evaluate and update estate plan documents and designations according to your current financial and family situations.