

Reasons to Sign up an Estate Plan

When we talk about estate planning, it is important to understand what is meant by an estate. When the word “estate” is used, a lot of people may imagine a sprawling property or great wealth. This perception is incorrect. One definition of estate is “the whole of one's possessions, especially all the property and debts left by one at death.”

So you see, everyone has an estate and the need to plan that estate. Traditionally, most people have had three good reasons for estate planning:

1. *Avoid Chaos.* Without a plan, your assets will pass according to the intestate laws of the State of Michigan, or the state where you live. Your heirs and representatives are required to follow this statute if you do not have a will. Your assets will be divided among your spouse and heirs according to the distribution stated in the statute. While this may not seem like chaos, it will look like it to your heirs. They will be most displeased with the results.

2. *Avoid Probate.* Our experience indicates that it normally takes at least 15 months to properly complete probate of an estate. This process can be time consuming and costly. A Trust enables you to avoid probate in most cases. A little advance planning and attention to detail can be a great gift to your heirs: the avoidance of probate.

3. *Avoid Estate Taxes.* A few estates (less than three percent under 2013 law) are subject to the Federal Estate Tax. Many more estates, however, have the potential to grow and then become subject to these ever-changing taxes in the future. A well-constructed estate plan can avoid or minimize estate taxes for these estates, using Trusts and other planning tools.

As is hinted in that last point, it may not be possible to fully avoid any of these undesired consequences. Even then, a well-designed estate plan will minimize the adverse impact of each.

There are many other reasons to write up an estate plan. Here are a few:

- *Loss of capacity.* If you become legally incapacitated, the Probate Court will choose a Guardian for you. You can do this yourself with a Power of Attorney.
- *Minor children.* When you have an estate plan, you get to determine who will raise your children if you die before they reach the age of majority. Without a plan, you are leaving this crucial decision to fate or more likely, a court.
- *Blended families.* If your family is the result of multiple marriages, the intestate statutes will fail you. You need a plan that reflects your wishes.
- *Children with special needs.* Your estate plan will better assure that any children with special needs will be cared for as you intend.
- *Financial security.* Your estate plan will enhance your ability to apportion and

- *Retirement accounts.* If you have an IRA or similar retirement account, you need an estate plan which reflects your current wishes and helps your heirs avoid unintended distributions or tax consequences.
- *Business ownership.* If you own a business or profession, you need to assure ownership succession that comports with your wishes and the arrangements you have made with any co-owners.

If you would like to learn more, visit our “Estate Planning Services” page, which describes the services and estate planning forms we help you with. If you would like to better understand the decisions you must make to get started, you can download one of the Simple Estate Planning Questionnaires provided on this site. We use Questionnaires such as the one on this site to get our clients started. We keep it simple so the task isn’t tedious; we can ask the more detailed questions about your particular assets and estate when we meet.