

Planning Ahead



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When Do You Need An Estate Plan?

People ask me: “Under the New Estate Tax Law, why do I still need an Estate Plan?” You can now leave up to \$11,180,000 to your heirs without Estate Tax, essentially eliminating Estate Tax for most people. The answer is that just because there won’t be any Estate Tax, it doesn’t mean you don’t need an Estate Plan to direct who gets what and who should be in charge when you can’t be. A Living Trust will avoid a long and expensive Probate and that has not changed with the new Estate Tax Law.

People tell me: “We don’t have children so we don’t really need an Estate Plan.” It’s perfectly valid to say, “I’ll be gone, let my heirs deal with it.” But then I remind them that their legal heirs may not be people they want to benefit. Isn’t there someone they know whose life could change simply by being remembered in their Will or Trust? Or what about their favorite charity? You have the chance to make an impact, but only if you make an Estate Plan.

I meet parents who are providing for their minor children with life insurance. They tell me it’s all set up and their children are the named beneficiaries. They are surprised to learn that an inheritance can’t be paid to a minor child directly. A Guardian for the child will have to be appointed by the Court. Involving the Court is expensive and the Guardianship will be ongoing until the child reaches age 18, eating into the child’s inheritance. An Estate Plan that creates a trust for the minor child to hold and distribute the child’s inheritance as needed can avoid Court involvement and preserve the child’s inheritance.

People underestimate the value of what they have. They don’t think they have “enough” to need an Estate Plan. But if the assets at death total \$150,000 or more, the estate will have to go through Probate. \$150,000 is a bright line rule. If there is even \$1 more at the bank, the accounts can’t be accessed without a Probate. The expense and delay of a Probate can be devastating to loved ones who have to wait as long as a year to receive their inheritance. And after deducting the fees and costs, a “small estate” will end up being even less.

An Estate Plan can be as simple as strategic use of joint tenancy or adding a death beneficiary to a bank account coupled with a Will. Or it may be good advice to set up a Living Trust. But everyone needs an Estate Plan.

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