

## Estate Planning Isn't Just for the Wealthy

**By Patricia Porter**

Estate planning isn't just for the Donald Trumps of the world," says certified financial planner and personal finance blogger Erik Carter. "Estate planning is for anyone who may become seriously ill or pass away. In other words, it's for everyone."

Avoiding estate tax is a non-issue this year unless your estate exceeds \$5,120,000, but estate planning is about much more than that, Carter says in his Forbes.com blog.

"It's also about making sure that your finances are taken care of if you're incapacitated, that decisions about your health care are carried out the way you'd like even if you're not able to make them, and that your children and other heirs are taken care of when that time eventually comes."

Estate planning can be as simple as drawing up a will and purchasing life insurance, or as complicated as executing numerous trusts and exploring other sophisticated tax and estate planning techniques, according to AXA Equitable, a life insurance and financial services company.

"Estate planning is important whether you are wealthy or whether you have only a small estate," AXA states on its website. "In fact, estate

planning may be more important if you have a smaller estate because final expenses will have a greater impact on your estate. Wasting even a single asset may cause your loved ones to suffer from lack of financial resources."

Even if you're not in a multi-million dollar tax bracket, you might own more than you realize, says Andrew Garcia, a Massachusetts attorney who specializes in family law.

"In the context of 'estate planning,' an 'estate' is simply all of the property or assets that a person owns," he writes in his blog, "Your Family and the Law." "Examples would include your home, a second home or vacation property, time shares, a small business, bank accounts, mutual fund or investment accounts, IRAs, life insurance policies, jewelry, your car —yes, even the clothes on your back. If you own it or have an interest in it, then it's part of your estate."

Garcia calls the estate plan a "game plan" for life and a shield against life's catastrophes, "that can take us away in a heartbeat."

"Most people, whether they're 25 or 75, have worked hard to build their assets and are usually interested in providing financial security for their spouse, children or grandchildren. It makes sense to de-



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vised a "game plan" to protect them in the event something happens."

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The nice thing is that we who have done battle with the likes of BofA and Fannie Mae are better equipped than most to tackle this big project. With the help of the Leatherman Law Group, in setting up your crisis budget, you have already taken inventory of your assets and liabilities—information you can use to put your affairs in order and clear the way for a more secure, creative and carefree life going forward.

You also have the Internet. Consumer-friendly websites from self-help legal publisher Nolo Press to "Five Wishes," AARP, "A Place for Mom" and even the state of California provide commentary and templates for wills, advance health care directives and much more. We will visit these in future reports.



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**12 Steps to an Estate Plan**

This month, we begin with a 12-step checklist from Nolo Press, a publisher of materials to help consumers find answers to everyday legal and business questions.

Nolo urges users to consult an attorney before executing an estate plan. Leatherman Law Group can provide guidance and catch errors that could hurt your heirs.

**1. Make a will.** The Last Will and Testament, provides essential details of who will inherit your property, when and how they will inherit it, and who will be put in charge of settling your final affairs. It also sets forth who will be guardian for your minor children, if the other parent is absent or incapacitated.

**2. Consider a trust.** Holding your property in a living trust avoids your survivors going through probate, which is a time-consuming and costly.

**3. Create an advance health care directive.** Putting your wishes in writing and giving a friend or relative power of attorney for health care can protect you if you can't make medical decisions for yourself. You can make this directive "springing," which means

it only takes effect when certain events such as your incapacity occur. In the meantime, you continue to make your own decisions about your health care.

**4. Grant financial power of attorney.** A durable power of attorney for finances gives a trusted person authority to handle your finances and your property if you become incapacitated.

**5. Protect your children's property.** Name an adult to manage any money or property your minor children may inherit from you. It can be the personal guardian you name in your will.

**6. File beneficiary forms.** Naming a beneficiary for bank accounts and retirement plans makes the account "payable on death" to your beneficiary and skips the probate process. In California, you can also register your stocks, bonds or brokerage accounts to go to your beneficiary when you die.

**7. Consider life insurance.** If you have young children or own a house, or owe significant debts or estate tax when you die, life insurance could spare your heirs grief.

**8. Keep track of estate taxes.** More than 99.7 per-

cent of estates won't owe federal estate taxes. For the rest of 2013, only estates over \$5.25 million are subject to the tax (it was \$675,000 in 2000). Congress sets the cap and the tax rate, but the trend is taxpayer-friendly.

**9. Cover funeral expenses.** Avoid prepaid plans, and set up a payable-on-death account at your bank to accumulate funds for your last farewell. But be sure to specify what that farewell will be.

**10. Make final arrangements.** As part of your advance health care directive, make your wishes known regarding organ donations and disposition of your body by burial or cremation.

**11. Protect your business.** If you're the sole owner, have a succession plan ready to execute. If you own a business with others, have a buyout agreement or other pre-arrangement.

**12. Store your documents.** Let trusted people know where they are and how to access them. If no one can find them, they are of absolutely no use.

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*Patricia Porter is a former Sacramento Bee copy editor and under water homeowner.*