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Estate Planning

Estate planning starts with a Will. If you die without a Will, you lose the privilege of choosing how your assets will be distributed. Instead, your state's particular estate laws (called intestacy law) will decide to whom your assets will be distributed and the amount each person will receive. You also give up the right to choose an executor (or personal representative) to settle your estate and select a guardian for your children. A state court will choose an administrator and guardian for you. And, without a Will, you can't take advantage of certain planning opportunities that can reduce estate taxes and protect your assets for your family.

Married people often think that a simple Will that leaves all of their assets to their spouses is an adequate estate plan. Usually, it's not. Such a Will can pave the way for a substantial federal estate-tax bill at the death of the surviving spouse. In addition, a simple Will can't address concerns you may have about how well your heirs will be able to manage your assets or what may happen to your business after your death. So, in addition to a Will, you may want to include other planning strategies in your estate plan.

Testamentary Trusts

A trust established in your Will can provide asset management for your family after your death. You also may be able to use a testamentary trust to reduce estate tax on your and your spouse's estates and to give your spouse income for life while ensuring your children will receive your assets at your spouse's subsequent death.

Life Insurance Trusts

Most people do, and should, own life insurance. Owners of family businesses often use life insurance to provide family members with the cash needed to pay estate tax without having to sell part or all of the business. If you have a substantial amount of life insurance, you may want to create a life insurance trust to help beneficiaries manage the proceeds and potentially reduce estate taxes.

Charitable Trusts

Gifts to qualified charities can provide income, gift, and estate tax savings, as well as help further the work of organizations you believe in. Using a charitable remainder or charitable lead trust to make lifetime gifts can give you a current income tax deduction in addition to removing assets from your taxable estate, thus reducing estate taxes.

Other Lifetime Gifts

A well-planned program of lifetime gifts to family and friends can save estate and gift taxes, preserve more of your assets for your family and other heirs, and ensure your property goes to the people you want to have it. Each year, you can give any number of people up to \$10,000 each in assets (\$20,000 if your spouse joins in the gift) without triggering any gift or estate tax consequences. After 1998, this annual exclusion will have been adjusted for inflation. Making gifts of appreciating property to family members now may significantly reduce the amount of assets subject to estate tax later.

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