

Estate Planning (Quamut)

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how to do it **QUAMUT** Money & Business

Estate Planning

70% of Americans don't have a will.

Unless you'd like to "donate" your estate to Uncle Sam, it's time to join the 30% who do. Though writing a will may not be fun to think about, a little foresight now will save your heirs and loved ones enormous hassles down the road. Learn to:

- Understand the basics of wills, trusts, probate, charitable giving, and more
- Set up power of attorney, a living will, and long-term care arrangements
- Minimize the impact of estate and inheritance taxes on your heirs.

Estate Planning Basics

Trust planning can help you preserve your family's net assets and ensure that they go where you want them to go after you die. By planning your estate, you can save your family and heirs considerable time, expense, and grief by eliminating uncertainty about inheritance. Only by planning your estate now can you be sure that all your wishes will be known and respected when you pass away.

WHAT IS ESTATE PLANNING?

Estate planning is the process of arranging for the assets you've accrued during your lifetime to be distributed in accordance with the wishes of the donor, tax-efficient, and expedient way possible.

For most people, estate planning is a relatively simple process in which they work with a lawyer to produce a number of documents:

- **Will.** A will is a legal document in which you set out the rights and responsibilities of others for your property and those children and/or dependents in the event of your death.
- **Planning directives.** A will covers only a certain set of your assets. Planning directives are documents that support a will by covering financial and legal matters that wills do not and by providing directions for what should happen in your case if a will is never executed or if assets render you incapable of expressing your wishes.

Everyone should at the very least have the above documents in order to protect their assets in the event of their death. For some people, though, particularly those with families or with larger estates, estate planning may involve a number of additional factors:

- **Assignment of powers.** If you have children who are minors (under 18), you should assign executors to take care of them should you be unable to do so.
- **Life insurance and long-term care.** If you have dependents or dependents-and own if you don't-you should plan ahead in case of disability, long-term care needs, or sudden death.
- **Trusts.** If your estate is considerable, you should speak with a lawyer about whether you should establish a trust to protect and protect some of your assets.
- **Gifts.** Estate planning can help you decide if you'd like to make gifts of your assets to charities or children.

Business. Estate planning can extend into the business arena by ensuring that any business you own changes hands smoothly when you pass away.

Who Needs to Plan an Estate?

Commonly, it's for anyone who owns assets that they plan to transfer assets when they die. If at all, estate planning is particularly important for people in any of the following situations:

- **Married couples.** Each spouse may have a separate will, and wills can create legal issues if you die within a few weeks or months of each other.
- **Blended families.** Blended families may have to deal with "right of" people, especially if you're older than they are, or if you have a former spouse's children or grandchildren. To protect your estate, you may need to establish a trust.
- **Business owners.** Create a succession plan that specifies who should happen to your business, so your family or the business can survive. Be sure that if a business will have enough cash on hand to survive that it will be able to pay itself.
- **Estate millionaires.** Currently, the estate tax provides an exemption for estates valued at \$5 million or less (see the Federal Estate Tax Exemption). This exemption has historically been \$1 million and will never be raised to \$5 million. As a general guideline, if your estate totals an million or more a now-or-later a strong prospect of exceeding \$1 million in value when you die-you should establish trusts to protect assets you may have beyond the \$1 million benchmark.

Estate Planning Checklist

Planning your estate can mean the difference between a secure future for you and your heirs and a less comfortable financial situation. Estate planning begins with the following steps:

1. **List your assets.** Make a list of everything you own, including all bank accounts, investments, real estate, insurance policies, and any other valuable items of personal property. List the full legal name with name of beneficiaries (such as insurance or retirement plans), family help letters, and assets solely or jointly owned with your beneficiaries, children, spouse, and so on.
2. **Assign heirs and beneficiaries.** Determine to whom you intend to pass on each of your assets.
3. **Write a will.** Working with a lawyer you trust, write a will that specifies where your assets should go and who should serve as guardians for your children.
4. **Write planning directives.** Working with a lawyer,

write a living will, assign powers of attorney, and develop letters of instruction for personal property not covered by wills.

5. **Learn about probate.** Make sure you understand what probate is, how it works, and how to avoid making an estate planning mistakes that will decrease the value of your estate.
6. **Consider establishing trusts.** Review the estate planning and trusts sections of this guide. If you think a trust may be right for you, consult an attorney or a financial advisor.
7. **Look into life insurance.** Protect your heirs from financial disaster by making sure you have an accident or health policy.
8. **Consider long-term care needs.** If you're in your late 50s or older, think about getting long-term care insurance.
9. **Consider charitable giving and family giving.** Learn the benefits of giving assets to charity and heirs.
10. **Plan the future of your business.** If you're a business owner, plan for the sale or transfer of your business or equity upon your death.

The Quamut guide provides you with the basic information you need to make informed decisions about estate planning. Before making any of these decisions, though, make sure to consult with appropriate financial, insurance, tax, and legal advisors. Since estate planning depends heavily on our laws and the regulations, continue to consult periodically with these professionals to determine whether your plan remains ideal for you.

How Estate Taxes Work

The only way to pass on your entire estate without paying tax is by giving 100% of it to your spouse. When heirs other than a spouse receive assets from an estate, tax is often levied. There are two main types of taxes that your estate or your heirs may need to pay upon your death:

- Federal estate taxes (also known as "death taxes")
- State estate taxes
- Income taxes
- Capital gains taxes

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