ESTATE PLANNING BASICS

Estate planning is critical to everyone, not just to people with estates subject to estate taxes. This section provides you with the necessary information to begin making important decisions about how you want to distribute your assets upon your death and your personal healthcare directives. In addition, this section will give you the steps you can take to make or update your estate plan.

To help you in this process, GCCF can provide you with an Estate Organizer in which you can record important information about your assets, your family, your wishes and your planners.

Setting Life's Priorities

Most people have three priorities when it comes to estate planning:

- Future financial security
- Providing for their families
- Giving back to their community and favorite charitable organizations

Future Financial Security

The most common concern raised by people we meet is whether they will have enough money. No one has a crystal ball to give a definitive answer to this question. However, we have found that qualified financial advisors may help provide guidance to determine how much money you will need in the future. With this information you will be able to address the next two priorities.

Family

"How much is enough for my family?" This is the second most common question asked. Unfortunately there is no one answer that is right for every family. It depends upon many factors. To help you in this area, here are some questions to ask yourself:

Do I want to treat all of my family members equally?

How will an inheritance affect my children?

Another way to help you answer the question of how much is enough is to think of your community or favorite charitable organizations as another member of your family and divide your assets accordingly.

Therefore, if you have three children, you would divide your assets four ways instead of three. Then ask yourself, will this reduced inheritance to your family materially affect their lifestyle?

Charity

Once you have defined the first two priorities you are ready to consider how you want to help your community and favorite charitable organizations. There are many gift options to consider.

Among the options is one that allows you to benefit your family and charitable interests at the same time. Another option allows you to provide a fixed lifetime income for yourself and a loved one. At the end of your lifetimes the remainder of your gift is used by your community or favorite charity.

Depending upon your situation, you may find there is a gift option that will allow you to meet all three priority areas of your life.

As you consider your life's priorities, we encourage you to seek the advice and counsel of professional advisors.

Steps to Successful Financial Estate Planning

Most of us realize the importance of planning. The success of your plan is often related to the amount of thought put into the details of your plan. The better the planning the greater degree of success you will enjoy in the long run.

Yet when it comes to the financial future, most of us fail to plan adequately. The most common reason found for this failure is simple procrastination. Other reasons given are the reluctance to seek assistance of a financial advisor or the unwillingness to tackle the complex area of financial and estate planning.

Let's simplify the process and hopefully make it easier to overcome the procrastination, reluctance and complexity of planning for you and your loved ones' financial futures. You can do this in the comfort and privacy of you own home.

The Five Steps of Planning

1. **Take some time to think about what is important to you.** What would you like to accomplish financially? Putting these goals and objectives down on paper can make them more manageable. List the names of the people for whom you would like to provide income or assets now or in the future. Included in that list would be family and, perhaps, friends and employees. You might wish to include favorite charitable interests such as community organizations, Church, college alumni associations, etc.
2. **Complete a list of all the property you own and how you own it.** In addition to real estate, include cash, investments, automobiles, life insurance policies, retirement plans, jewelry, equipment, livestock and any collections of value. Estimate the value of each asset and subtract mortgages and other debt to calculate your net worth. This is important in estimating possible estate taxes.
3. **Match the people and charities you want to benefit with the properties or amounts you want them to receive.** Many tools have been developed for your use in transferring property to family and charities such as your community foundation on a tax-favored basis.
4. **Make a list of the persons who will help you put your plans into effect.** The cornerstone for a good financial and estate plan is a well-thought-out and written will. Trusts, living wills, a power of attorney for finances, a power of attorney for health care, insurance and other plans serve important purposes in some situations. An attorney can help you draft the needed legal documents. An accountant, banker, life insurance professional, investment advisor and a representative of the Grant County Community Foundation or other organizations that you wish to remember may play important roles in helping you accomplish your goals. If you do not have an attorney or financial advisor, ask the Grant County Community Foundation, friends or relatives for suggestions. Before your first meeting you should feel free to discuss the cost of planning with the attorney or financial advisor. The cost of drafting wills and trusts is reasonable. Following the above steps and having a written summary of your

plans, can save you money because an attorney can prepare your will and other documents at less cost when working from written goals that you provide.

5. **Implement your plans! Unless you put the plans you have made into place, your planning will be for naught.** Communicate your plans to those people and organizations you want to benefit. By communicating your desire to help your community or other favorite organizations they can assure the fulfillment of your wishes. Plus, it provides an opportunity to say “thank you.” The old saying “Pay me now or pay me later” applies to the cost of financial and estate planning. The cost of drafting wills and trusts is reasonable when compared to the potential savings in reduced taxes and other estate settlement costs, not to mention the peace of mind that it brings you.

Once those steps are completed, you will get a great deal of satisfaction in knowing that your plans for you, your loved ones and organizations that are important to you will be accomplished.

Health Care Directives

Living Will

A living will is a document that instructs an individual’s physician to withhold or withdraw life-sustaining treatment that serves only to prolong the process of dying or to maintain the patient in a persistent vegetative state. Copies should be provided to your doctors and also to you family members.

Power of Attorney

A power of attorney for health care is a document legalized by statute whereby a person (principal) designates and authorizes another individual (attorney-in-fact) to make health care decisions for the principal. Health care is defined to mean “any treatment, procedure or intervention to diagnose, cure, care for or treat the effect of disease, injury and degenerative conditions.”

A power of attorney for health care can greatly ease the burden of family and friends when the principal becomes incapacitated and unable to make her or his own decisions regarding health care. Nursing homes and other care providers are increasingly requesting such document prior to admission.

Wills

A banker in Kansas asks two quick questions at the bottom of his customer’s financial statement forms:

“Do you have a will? Yes / No.”

“If yes, when was it last updated? ______.”

The banker said those simple questions often lead to a good discussion about the value of estate planning and sometimes about local charitable giving ideas. Busy people put off making these important decisions. The banker said most of his customers thank him for the subtle annual reminder.

Life circumstances and donor intentions change over time, so your will should be reviewed at least annually or after a major life change like a marriage, divorce, a child being born, etc.

An attorney in Kansas was describing a very successful farmer with millions in assets who died suddenly without a will. His sons who were farming with him had to sell the farm and the equipment and the livestock in order to pay the estate taxes. The neighbors could not understand how such a smart business person had failed to plan for the inevitable.

That unfortunate event has been a wake-up call to other land owners in the area. Several realized their wills were outdated or non-existent. Take time to determine how you want your assets to be distributed at your death, and have your attorney put it in writing.

A bequest, a gift in your will, is an opportunity to make a difference in the quality of life and the economic growth of your community. Many people discover that a bequest is a satisfying way for them to provide for future resources in their community. Your bequest can be of a percentage of your estate, or a stated dollar amount. Others prefer to gift a percentage of the "residue" or what remains after paying all inheritances, debts and costs.

There are also special arrangements that allow you to make a gift that can provide income to your family and later be used by your community.

Power of Attorney

A Power of Attorney is a written document that authorizes one person (the attorney-in-fact) to transact business on behalf of another person (the principal). It may be a general one that allows the attorney-in-fact to do virtually anything on behalf of the principal, or it may be limited to specific purposes.

Revocable Living Trust

A trust directs your trustee to hold specified assets for designated beneficiaries and since administering a trust does not involve the probate process, the beneficiaries will avoid probate administrative burdens. Trusts can be an effective way to simplify the management and transfer of your assets. A revocable "living" trust allows you to revise the terms of the trust as your financial situation or the needs of your heirs change. You maintain access to the assets held in trust. An irrevocable "living" trust generally cannot be changed once established. It may also have some tax advantages.

Wording For Gifts By Wills and Trusts

All gifts received by the Grant County Community Foundation are used for the charitable purposes directed by our donors. Following are appropriate legal designations for gifts by wills, trusts and beneficiary designations:

Unrestricted Gifts

These funds may be expended at the discretion of the Board of Directors of GCCF to meet the charitable priorities of the community or charitable organizations. Unrestricted gifts may be designated as follows:

" . . . My gift shall be used at the discretion of the Board of Directors of the (name of the community fund or charitable organizational fund), a fund of the Grant County Community Foundation, with its principal office in Ulysses, Kansas . . ."

Designated Gifts for an Designated Fund

Donors may designate their gift to a specific charitable interest area within a community or charitable organization in Grant County. The following wording may be used:

" . . . My gift shall be used for the benefit of the (account name such as, "Endowment Account" or "Elementary PTO Account") of the (name of community fund or charitable organization fund), a fund of the Grant County Community Foundation, with its principal office in Ulysses, Kansas . . ."

Donor-Advised Funds

Donors may reserve the privilege of recommending now or in the future communities or charitable organizations to be considered for grants. A donor-advised fund can be named in a will as follows:

" . . . My gift shall be for the purpose of funding the (name of the fund) Donor-Advised Fund, a fund of the Grant County Community Foundation, with its principal office in Ulysses, Kansas . . ."

Gifts to Support the Grant County Community Foundation

Donors may designate gifts to support GCCF's community development work by contributing to GCCF's general operating fund or its unrestricted endowment fund.

Gifts to the general operating fund are utilized to meet current operations and development needs.

". . . My gift shall be for the purpose of funding current operations of the Grant County Community Foundation, with its principal office in Ulysses, Kansas . . ."

If donors choose to support an GCCF endowment fund, the principal of their gift is invested and only an annual payout, the percentage as determined by the WKCF Board of Directors is used to support the charitable work of the Grant County Community Foundation:

". . . My gift shall be for the purpose of funding the endowment fund of the Grant County Community Foundation, with its principal office in Ulysses, Kansas . . ."

Donors wishing to designate gifts or to establish donor-advised funds or endowment funds are encouraged to contact a Grant County Community Foundation representative. Donors can be assured that their charitable intentions will be fulfilled and their gift used in the most effective manner. GCCF can provide sample documents as needed without obligation and at no cost.

Note: The above information is of a general nature and is not intended as legal advice. It should not replace the counsel of your tax, legal or estate planning advisors.

Estate Planning Mistakes

10 Common Estate-Planning Mistakes

It would be a terrible thing to waste the assets you have worked hard all of your lifetime to build and accumulate. Yet the lack of proper planning can cost your heirs and favorite charities such as your community, and cause headaches in the form of unnecessary estate taxes and probate fees. Charitable giving through estate planning need not be an "either/or" proposition. Your wishes for your heirs and trusted charities can both be addressed. There are 10 common mistakes to avoid so your family and trusted charities can benefit from your thoughtfulness.

1. **Assuming you don't need an estate plan.** Because only a small percentage of estates actually pay estate taxes each year, some might think they don't need an estate plan.

Even if estate taxes are not a concern planning your estate can save your family valuable time. Plus, if you don't have a plan for your estate the State of Kansas has a plan for you.

2. **Leaving all of your assets to your spouse.** An unlimited amount of assets can be passed to your spouse free of estate taxes. However, with that type of plan, estate taxes simply are delayed. If the estate continues to grow in value, your spouse's estate may owe taxes because of its increased value. That problem can be minimized or eliminated with the use of trusts, gifting to family, gifting to your community's community foundation fund and other favorite charities, and other estate planning techniques.
3. **Owning all assets in a "joint name" with your spouse.** Assets jointly owned by spouses automatically pass to the surviving spouse. That technique may save probate costs, but it may increase the surviving spouse's estate subjecting the assets to estate taxes.
4. **Not having a will.** A will is a legal document that allows you to choose who is to receive your property at your death. In addition, a will allows you to name a guardian for your minor children, appoint a personal representative and make gifts to your community's community foundation fund and your other favorite charities.
5. **Assuming that a will is a complete estate plan**. A properly drafted will is only a cornerstone for many estates. To reduce estate taxes, save on probate fees, make health care directives, and provide for charitable gifts, additional planning might be in order.
6. **Not making use of the annual gift tax exclusion for you and your spouse.** Annually, you can make gifts up to up to the amount of the gift tax exclusion, and your spouse can give the same amount, to as many people as you want free of gift tax. That is an easy way to reduce the size of your estate and the possibility of paying estate taxes.
7. **Not understanding the unified credit tax system**. The system of taxing gifts you make during your lifetime and for the value of your estate at your death are connected. An understanding of that concept will allow you to take advantage of strategies to reduce future taxes by making gifts during your lifetime. For example, giving away assets that are growing in value during your lifetime removes the growth that could be taxed at your death.
8. **Keeping life insurance in the estate.** The death proceeds of life insurance are not subject to income taxes, but they are subject to estate taxes. If you have purchased life insurance to pay estate taxes - unless the insurance is owned outside the estate - you have only added to your estate tax problems. A solution to that problem is the use of an irrevocable life insurance trust.
9. **Failure to update your estate plans.** Certain events during your lifetime create a need to review and change your estate plans. Those events include marriages, deaths, births, inheritances, and tax-law changes.
10. **Failure to keep good records.** Can you imagine how difficult it will be for your family to sort out your estate if they don't know where to find your will, insurance policies, bank accounts, and other valuable documents? We all dutifully fill out business records, credit forms, income tax returns, and other forms demanded by government agencies and those with whom we do business; yet we seldom seem to get around to completing one of the most important records for ourselves and family – a personal estate planning record. GCCF can provide you with an Estate Organizer (Word) (PDF) in which you can record that important information.