



ESTATE PLANNING

Summer 2008

RISK MANAGEMENT

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an overview

1. An estate is the total property, real and personal, owned by an individual prior to distribution through a trust or will. Real property is real estate and personal property includes everything else, for example cars, household items, and bank accounts. Estate planning distributes the real and personal property to an individual's heirs.
2. Estate planning is the process by which an individual or family arranges the transfer of assets in anticipation of death. An estate plan aims to preserve the maximum amount of wealth possible for the intended beneficiaries and flexibility for the individual prior to death. A major concern for drafters of estate plans is federal and state tax law.
3. Wills and trusts are common ways in which individuals dispose of their wealth. Trusts, unlike wills, have the benefit of avoiding probate, a lengthy and costly legal process that oversees the transfer of assets. Sometimes, though, it will be useful to make inter vivos gifts (gifts made while the donor is alive) in order to minimize taxes.



Simple steps for creating an estate plan that will put your mind at ease

1. Make a will. In a will, you state who you want to inherit your property and name a guardian to care for your young children should something happen to you and the other parent.
2. Consider a trust. If you hold your property in a living trust, your survivors won't have to go through probate court, a time-consuming and expensive process.
3. Make health care directives. Writing out your wishes for health care can protect you if you become unable to make medical decisions for yourself. Health care directives include a health care declaration ("living will") and a power of attorney for health care, which gives someone you choose the power to make decisions if you can't. (In some states, these documents are combined into one, called an advance health care directive.)
4. Make a financial power of attorney. With a durable power of attorney for finances, you can give a trusted person authority to handle your finances and property if you become incapacitated and unable to handle your own affairs. The person you name to handle your finances is called your agent or attorney-in-fact (but doesn't have to be an attorney).
5. Protect your children's property. You should name an adult to manage any money and property your minor children may inherit from you. This can be the same person as the personal guardian you name in your will.
6. File beneficiary forms. Naming a beneficiary for bank accounts and retirement plans makes the account automatically "payable on death" to your beneficiary and allows the funds to skip the probate process. Likewise, in almost all states, you can register your stocks, bonds, or brokerage accounts to transfer to your beneficiary upon your death.
7. Consider life insurance. If you have young children or own a house, or you may owe significant debts or estate taxes when you die, life insurance may be a good idea.
8. Understand estate taxes. If you and your spouse together own assets worth at least \$1.5 million, you may want to consider taking steps to reduce federal estate tax that will be due at the second spouse's death. You may want to make tax-free gifts now or consider an AB trust.





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9. Cover funeral expenses. Rather than a funeral prepayment plan, which may be unreliable, you can set up a payable-on-death account at your bank and deposit funds into it to pay for your funeral and related expenses.
10. Make final arrangements. Make your wishes known regarding organ and body donation and disposition of your body – burial or cremation.
11. Protect your business. If you're the sole owner of a business, you should have a succession plan. If you own a business with others, you should have a buyout agreement.
12. Store your documents. Your attorney-in-fact and/or your executor (the person you choose in your will to administer your property after you die) may need access to the following documents:



Important Documents

- Will
- Trusts
- Insurance policies
- Real estate deeds
- Certificates for stocks, bonds, annuities
- Information on bank accounts, mutual funds, and safe deposit boxes
- Information on retirement plans, 401(k) accounts, or IRAs
- Information on debts: credit cards, mortgages and loans, utilities, and unpaid taxes
- Information on Totten trusts or funeral prepayment plans, and any final arrangements instructions you have made

Sources of More Information

http://www.uaex.edu/Other_Areas/publications/PDF/FSHEC-36.pdf

http://www.kidsarus.org/volunteers/Volunteer_Leader_Training_Guide/2007/estate_planning.pdf

http://www.uaex.edu/Other_Areas/publications/pdf/FSHEC-100.pdf

http://www.arfamilies.org/money/estate_planning.htm

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