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## **Top 10 Things to Know About Estate Planning**

### **1. No matter your net worth, it's important to have a basic estate plan in place.**

Such a plan ensures that your family and financial goals are met after you die.

### **2. An estate plan has several elements.**

They include: a will; assignment of power of attorney; and a living will or health-care proxy (medical power of attorney). For some people, a trust may also make sense. When putting together a plan, you must be mindful of both federal and state laws governing estates.

### **3. Taking inventory of your assets is a good place to start.**

Your assets include your investments, retirement savings, insurance policies, and real estate or business interests. Ask yourself three questions: Whom do you want to inherit your assets? Whom do you want handling your financial affairs if you're ever incapacitated? Whom do you want making medical decisions for you if you become unable to make them for yourself?

### **4. Everybody needs a will.**

A will tells the world exactly where you want your assets distributed when you die. It's also the best place to name guardians for your children. Dying without a will -- also known as dying "intestate" -- can be costly to your heirs and leaves you no say over who gets your assets. Even if you have a trust, you still need a will to take care of any holdings outside of that trust when you die.

### **5. Trusts aren't just for the wealthy.**

Trusts are legal mechanisms that let you put conditions on how and when your assets will be distributed upon your death. They also allow you to reduce your estate and gift taxes and to distribute assets to your heirs without the cost, delay and publicity of probate court, which administers wills. Some also offer greater protection of your assets from creditors and lawsuits.

**6. Discussing your estate plans with your heirs may prevent disputes or confusion.**

Inheritance can be a loaded issue. By being clear about your intentions, you help dispel potential conflicts after you're gone.

**7. The federal estate tax exemption -- the amount you may leave to heirs free of federal tax -- changes regularly.**

The estate tax hit \$3.5 million in 2009, but was phased out completely in 2010, but only for a year. Unless Congress passes new laws between now and then, the tax will be reinstated in 2011 at \$1 million.

**8. You may leave an unlimited amount of money to your spouse tax-free, but this isn't always the best tactic.**

By leaving all your assets to your spouse, you don't use your estate tax exemption and instead increase your surviving spouse's taxable estate. That means your children are likely to pay more in estate taxes if your spouse leaves them the money when he or she dies. Plus, it defers the tough decisions about the distribution of your assets until your spouse's death.

**9. There are two easy ways to give gifts tax-free and reduce your estate.**

You may give up to \$13,000 a year to an individual (or \$26,000 if you're married and giving the gift with your spouse). You may also pay an unlimited amount of medical and education bills for someone if you pay the expenses directly to the institutions where they were incurred.

**10. There are ways to give charitable gifts that keep on giving.**

If you donate to a charitable gift fund or community foundation, your investment grows tax-free and you can select the charities to which contributions are given both before and after you die.

**Source:** *"Money 101, Lesson 21: Estate Planning"*  
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