Trust & Estates Update: May 2013

By RIW on May 11, 2013

Trusts & Estates Update

The eNewsletter of RIW's Trusts & Estates Group

May 2013

WHY DO YOU NEED AN ESTATE PLAN?

Often people delay putting an estate plan in place, or they may have preliminary draft documents but they fail to complete the process. Although they have spent time and effort accumulating assets, they wonder why they need to invest the time, effort and expense in a plan for the disposal of those assets at their eventual death. There are many reasons to invest in a well-crafted and complete estate plan: estate tax minimization, ease of administration, and a statement of your intent, to name just a few. The very purpose of an estate plan is to clearly state who will receive your legacy, and how and when your heirs will receive it. Without a plan in place, surviving family members will be burdened with administrative headaches that are costly and time consuming. These include estate taxes that may be otherwise avoidable, a determination by a probate court judge or intestacy laws – instead of you – as to who will receive your legacy, and a delay in access to needed funds. In most cases, a complete estate plan will include a last will and testament, a revocable trust, a durable power of attorney and health care documents.

Perhaps the best way to illustrate the benefits of a properly formulated estate plan is to share three planning hypotheticals which highlight the benefits of the estate planning process.

Hypothetical #1: “I am young and single and I do not have a significant amount of assets.” Our first example is a young, single man, without children, in his thirties. He has a few bank and investment accounts, and a retirement account. Because he is young, single and without children, he does not think he needs an estate plan. He dies unexpectedly and he leaves no will. His retirement accounts are left to disabled and minor relatives, in an effort to help family members. Because there is no will or trust to direct otherwise, this case requires Probate Court intervention so that conservators and/or guardians can be appointed on behalf of the disabled and minor beneficiaries.
Although this decedent has a relatively modest estate, the fact that he dies without an estate plan requires that significant time and money be spent to conclude his affairs. Thousands of dollars of legal fees are spent and there is
a significant delay in the access to and collection of the assets. All of this could have been avoided had

there been a simple estate plan in place. More importantly, more of the estate assets would go directly to the beneficiaries rather than paying for the administrative process. Click here to read full article.

T&E LEGAL & TAX UPDATE

Annual Exclusion Gifts

Planning with annual exclusion gifts can be a great way to make gifts to loved ones, and reduce the size of your taxable estate without reducing your gift and estate tax exemptions. This year the annual exclusion gift amount has increased to $14,000. Below we have highlighted some of the ways you may benefit from planning with annual exclusion gifts:

- An individual or married couple who has sufficient assets and cash flow may wish to consider making annual gifts to their children and/or grandchildren to reduce the size of their taxable estate.
- An individual may give as much as $14,000 gift tax free, annually, to any number of individuals; if the individual's spouse joins in the gift, as much as $28,000 may be given to any number of people annually.
- An individual may pay an unlimited amount directly to a medical provider or educational institution (for tuition only) on behalf of any number of people and not incur any gift tax nor use any gift tax exemption.
- An individual avoids paying estate tax on assets transferred to satisfy annual exclusion gifts.
- Appreciation on assets transferred within the annual exclusion escapes estate tax.
  - Example: Husband and Wife have 3 children and 6 grandchildren. If Husband and Wife give $28,000 to each child and grandchild, they immediately remove $252,000 from their taxable estate. If they maintain that gifting plan for five years, they have removed $1,260,000, as well as the appreciation associated with those assets, from their taxable estate, all without using any of their gift and estate tax exemptions, if properly structured.
- If gifts are made to a trust, children or future generations can receive income and/or principal from the trust during the trust's term.

MEMBER SPOTLIGHT

Deborah Pechet Quinan, Esq.
dpq@riw.com

Deborah Pechet Quinan is a shareholder of Ruberto, Israel & Weiner and Co-Chair of the Trusts & Estates Group. Deborah's practice is concentrated in the areas of estate planning, tax planning, and the administration of trusts and estates, with an emphasis on estate and business succession planning for individuals, closely-held business owners, entrepreneurs and corporate executives. Her practice includes estate planning for retirement assets, international estate planning and charitable giving. Deborah coordinates closely with her clients' other advisors to ensure the implementation of a well-coordinated and comprehensive estate plan. Deborah has been quoted in Money Magazine, the Wall Street Journal, and the Boston Business Journal, and has been on the Boards of numerous non-profits. She has been named a Massachusetts Super Lawyer annually since 2004.

For a full description of our Trusts & Estates Group and a list of all of our practice areas,

visit www.riw.com or contact any member of the T&E Group listed below.

Lisa Weinstein Burns, Co-Chair
lwb@riw.com

Deborah Pechet Quinan, Co-Chair
dpq@riw.com

Annette K. Eaton, Associate
ake@riw.com

Terri MacNeil, Paralegal
tlm@riw.com

Jayne Mahoney, Paralegal
jlm@riw.com

Ruberto, Israel & Weiner, P.C. • 255 State Street, 7th Floor | Boston, MA 02109 • 617.742.4200 • contact us •riw.com

IRS Circular 230 Required Disclosure: To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any tax advice included in this correspondence, or in any attachment (a) is not intended or written to be used, and cannot be used, for the purpose of avoiding any tax penalties that may be imposed upon any taxpayer; and (b) may not be used in promoting, marketing, or recommending any entity, investment plan or arrangement. Ruberto, Israel & Weiner, P.C. does not impose any limitation on your right to disclose the tax treatment or tax structure of any transaction. This material is intended for informational purposes only and is not meant to be construed as legal advice. For a comprehensive understanding of the issues raised in this material, please contact a qualified attorney of your choice. © 2014 Ruberto, Israel & Weiner, P.C.

POSTED IN: TRUSTS & ESTATES