

Estate Planning

Where Local Good Grows

Hendricks County Community Foundation

What Is Estate Planning?

In its simplest terms, estate planning is the process of taking control of your assets. An estate plan is nothing more than a set of instructions that clearly spell out the way property should be managed during life and distributed at death. Estate planning offers a number of benefits. For example, an estate plan:

- **Avoids conflict.** The way assets pass to family members or other heirs can be complex. Clear documentation of an estate owner's decisions concerning the distribution of assets can help avoid conflicts by minimizing the sting of unfulfilled expectations while ensuring that plans steer clear of unintended consequences.
- **Expedites settlement.** By providing executors and administrators with a blueprint of expectations, an estate owner can considerably reduce the time required for estate settlement.
- **Shrinks expenses.** Written directives ensure efficient estate transfer, which can minimize expenses, conserve estate assets, and provide for an orderly distribution of the estate.
- **Executes philanthropic goals.** Comprehensive estate planning allows for the fulfillment of charitable intentions when estate owners plan to distribute assets to personally meaningful charities.

Take Action

Despite the important benefits that accompany an estate plan, many still hesitate to take action. Why?

- **Little time.** Everyone is busy these days, but it's important not to procrastinate, as we never know what tomorrow will bring.
- **Unwanted difficulty.** Estate planning doesn't have to be complex—even basic steps can have a big impact.
- **A touchy subject.** It's not easy to think about death, much less plan for it, but the true focus of estate planning is taking care of ourselves today and our loved ones in the future.
- **Modest assets.** Estate planning is not just for the wealthy.

Five Reasons Why Estate Planning Is Important

There are many reasons to think about making or revising an estate plan. Let's look at the most obvious.

1. **The federal estate tax**
   Today, most estates escape the federal estate tax since the exemption amount (the amount not subject to tax) is $11.7 million. For those subject to tax, the top marginal tax rate is a punitive 40%. An effective plan can ensure maximum protection from this tax.

2. **State estate and inheritance taxes**
   While an estate used to receive a credit on its federal return for estate taxes paid to a state, now only a deduction is available. Many states impose an estate and/or inheritance tax on residents, so in some locations, state taxes can be a significant planning consideration.

3. **Linked gift and estate tax exemptions**
   Lifetime gifts are linked to the estate. This means taxable gifts made during life are added to the estate to calculate the exemption amount. Giving assets during life rather than through a will at death has its advantages—mainly, taxpayers benefit from a $15,000 annual exclusion. This means a person can give up to $15,000 to any number of individuals every year without tax consequences ($30,000 if a gift is split with a spouse).

4. **Portability**
   An attractive provision in the estate tax law provides full portability of one spouse's unused exemption amount to the surviving spouse. For example, if a husband leaves everything to his wife and uses no part of his exemption, he leaves his wife his entire $11.7 million exemption amount. She can add his exemption to her own exemption for estate planning purposes, sheltering $23.4 million—but only if the executor files a federal estate tax return for the husband's estate and requests portability.

5. **Tax-wise giving**
   In addition to providing for the orderly disposition of assets, comprehensive estate planning ensures that an individual can meet important charitable intentions. Beyond benefiting society, philanthropy—combined with income tax strategies and wealth management—can be a powerful means of realizing estate planning goals. From simple, revocable gifts to complex charitable strategies, giving benefits society while ensuring that estate owners and their families can take advantage of tax-wise planning programs.

Learning by Example

Deathbed Planning Is Expensive

Shortly before he died, Dennis Hopper filed for divorce from his fifth wife, Victoria Duffy, and revised his estate planning documents to exclude her as a beneficiary. She claimed his children pressured him into it so she would not inherit from his estate or other assets. Victoria Duffy-Hopper filed a $45 million claim against the estate—a common response to deathbed changes, where coercion is easy to imagine. Hopper's trustee counter-sued. In the meantime, the clock ran on and attorney's fees and costs grew.

Keep Documents Up to Date

Michael Crichton, blockbuster author and television series creator, failed to update his documents to reflect life-changing events—namely, divorce, remarriage and pregnancy. Crichton updated his will in 2007. At the time of his death in 2008, he was married to Sherri Alexander, who was pregnant with their son, John Michael Todd Crichton. Sherri, Crichton's fifth wife, filed a $7 million claim against the estate citing a 2003 prenuptial agreement. And despite language that disinherited any children not mentioned or designated in his 2007 will, Alexander fought successfully to have her son included as an heir.

Select Strategies that Serve Your Planning Goals

Estate planning is personal. Putting arrangements in place; selecting property; weighing the advantages and disadvantages inherent in individual inheritances, gifts, taxation and philanthropy—all influence your estate plan.

The benefits of estate planning are hard to ignore, and they go well beyond choosing the method for transferring assets to your beneficiaries and implementing appropriate tax strategies. Why not start now with a review of your existing plan? You may be pleased to discover that your plan is good to go with very little updating. Of course, your attorney can help you take advantage of any new tax-saving strategies—which may include planned gifts to charity.

By incorporating more flexibility into your plan, you may prevent unintended consequences and do more for both surviving heirs and your favorite charities.



We value your support of our mission, and we would be happy to help you find rewarding planning strategies with unique combinations of tax savings and personal satisfaction. Our experienced professional staff can help you implement many of these strategies, as they are committed to ensuring the success of your personal estate planning and transfer goals. Please take a moment to contact us by phone or email. We look forward to working with you in the future.

OUR MISSION:

The Hendricks County Community Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

OUR VISION:

Hendricks County is a vibrant, giving community.

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Hendricks County Community Foundation

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