

## **Four Reasons Why You Need an Estate Plan Now**

Authors: Gretchen Cliburn, CFP® and Lindsay Owens, CPA

For many, the idea of estate planning is reserved only for the wealthy. This is not true—an estate plan can and should be used by everyone. A formal estate plan can provide comfort that you will be able to leave a legacy by providing for your loved ones or achieving charitable desires. It also can reduce the risk of unnecessary expenses, delays, and potential estate taxes.

Estate planning does not only determine what will happen to your assets when you die, it also can provide a plan for incapacity. Incapacity is when you are no longer able to manage your own affairs while still living. We do not have a crystal ball to see into the future. We do not know when something might occur that would prevent us from controlling what happens with our assets or who will take care of our loved ones if we can no longer do so. It is never too early to establish your estate plan.

Here are four reasons to develop an estate plan:

1. Provide for your loved ones
2. Maintain privacy by avoiding probate and reduce administration expenses
3. Reduce potential estate taxes
4. Incorporate charitable giving

### **Provide for Your Loved Ones**

Losing a loved one causes many emotions and often unexpected outcomes. By creating an estate plan, you can decrease the risk of unnecessary family strife. Estate planning is one of the most loving things you can do for your family.

Planning allows you to decide who will make decisions on your behalf should you no longer be able to do so. It also allows you to choose who will receive your assets, and when. You can provide asset protection for your beneficiaries, which may shield the assets from potential creditors or from a spouse in a divorce. You also can provide instruction on how you want the funds to be used to benefit your children, grandchildren, and/or other family members and friends. For parents of young children, it is important to determine who you would want to raise your children if you could no longer do so.

An estate plan should be customized for your unique family and the legacy you want to leave for future generations.

### **Maintain Privacy by Avoiding Probate & Reduce Administration Expenses**

Everyone has a predetermined estate plan by the state in which they live. By not setting up a formal estate plan, you are leaving your wealth in the hands of the state to determine who will administer your estate and who will receive your assets.

Part of your estate plan should be creating a will, which is a document that allows you to direct the distribution of your assets. Although a will may be straightforward, states have differing requirements in determining validity, so it is recommended that legal counsel assist with the drafting and execution. A valid will avoids the state's determination of where your assets will go but does not avoid the probate process. The probate process can be lengthy, public, and expensive. While a will is an important part of the estate plan, there may be additional ways to further protect your assets.

By creating a trust or adding beneficiary designations to your assets, you can continue to direct where your assets will go while also avoiding the probate process. Funding a trust or using designated beneficiaries will keep your estate private and avoids the costly and time-consuming probate process.

### **Reduce Potential Estate Taxes**

With the ever-changing political environment, active and flexible estate planning is more important than ever. The current estate and gift tax exemption is \$11.58 million (indexed for inflation) per individual. This exemption is the amount of assets that can pass to the next generation without federal or gift tax under current tax law. However, this amount is set to "sunset," *i.e.*, revert to the prior \$5 million amount indexed for inflation, in 2026 and could change even sooner. For those subject to the estate tax, their estate will pay a 40 percent tax on the assets above the exemption amount.

There are many estate planning tools and techniques that can help reduce or eliminate the potential for paying estate tax. Your **BKD Trusted Advisors™** along with your estate planning attorney can help you evaluate which technique(s) would be appropriate for your situation. These tools can help you achieve your goals while reducing the potential tax consequences.

### **Incorporate Charitable Gifting**

For many families, charitable giving may be an important part of the legacy they want to leave behind. It also can engage and teach future generations to look for opportunities to help others. Your estate plan can include strategies for gifting and reflect the causes that are most important to you. There are many different vehicles depending on your charitable intentions, dollar amounts, and the timing of your gifts. Including charitable planning in your estate could save significant tax dollars while creating a legacy for your family.

Once your estate plan has been established, it is important to review and update the plan periodically with your trusted advisors to make sure it continues to align with your wishes and objectives. As your loved ones grow, lives change, and tax laws evolve, changes may be needed to realign your estate plan to meet your desires.

For more information, reach out to your BKD trusted advisor.

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