



The Ultimate Estate Planning Tool Kit



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WHAT IS AN ESTATE?

Your estate is comprised of all the wealth you have accumulated during your lifetime, including retirement plans, stocks, bonds, real estate, business interests, personal effects, and anything else you own.

Your legacy is also part of your estate. It encompasses everything from your work ethic and sense of responsibility to the issues and institutions that have come to mean the most to you during your lifetime. All of these can be passed on, along with your assets, to future generations of your family and even to society as a whole.

WHAT IS ESTATE PLANNING?

Estate planning can be defined in many different ways. To put it simply, estate planning is the process by which you accomplish three primary goals:

- Manage your assets while you are alive and well and if you become incapacitated
- Distribute assets according to your wishes after you pass away
- Leave a lasting legacy



WHO NEEDS AN ESTATE PLAN?

Everyone.

Without a plan, the state will decide who receives your assets and when and how your heirs will receive them. Similarly, the state will decide who has the authority to make financial and medical decisions on your behalf if you become incapacitated. Finally, without a plan, your loved ones will have to go through the court and make difficult decisions without guidance while they should be grieving.

WHEN SHOULD YOU PLAN?

Now, while you can, before your plan is needed, not after.

Many people know they need an estate plan but keep putting it off. Big mistake. The longer you wait, the fewer options you will have to protect your assets and leave a lasting legacy. Worse, if you become incapacitated, you will have no planning options at all. Your family will be left trying to make the decisions you should have made yourself.

The time to plan is as soon as possible (if not sooner).

WHAT ARE THE BENEFITS OF ESTATE PLANNING?



A properly designed and implemented estate plan allows you to accomplish all of the following and more, depending on your particular needs and goals:

- Ensure that your minor children will be raised according to your wishes if something happens to you
- Ensure that you have control over your assets if you become incapacitated
- Leave what you want to whom you want in the manner you want after you pass away, and do it in the most cost-effective manner to minimize fees and expenses
- Protect your assets against creditors, lawsuits and other threats
- Pass your work ethic, values and sense of responsibility to heirs
- Significantly reduce estate, income, gift and other taxes
- Ensure that your financial affairs and information about your family remain private
- Protect your heirs' inheritances
- Leave a lasting legacy and impact on others



THE ESTATE PLANNER'S TOOLBOX

Here is a list of the most commonly used estate planning tools and brief descriptions of their purpose.

1. LAST WILL AND TESTAMENT

This allows you to specify “who gets what” when you pass away. Without your own Last Will and Testament, your assets will be distributed according to state guidelines. A Will also allows you to name guardians for your minor children. This is important because if something happens to you and your spouse and you do not have a will, the state will decide who will have legal authority over your minor children. This could very well be a person or institution you would never have chosen to have such authority.



2. DURABLE POWERS OF ATTORNEY

These allow you to name people of your own choosing to make decisions for you in the event of incapacity. A power of attorney for healthcare lets you designate a person you trust to make decisions about your medical care, while a power of attorney for finances lets you name the person you want to make financial and legal decisions on your behalf. All Powers of Attorney are not created equal, be sure yours truly fulfills your wishes.



3. ADVANCE DIRECTIVES

An advance healthcare directive, also known as a living will, allows you to choose, in advance, the types of medical treatments you want (or don't want) in an end-of-life situation.



4. HIPAA AUTHORIZATION

The Health Insurance Portability and Accountability Act (HIPAA) established national standards to protect the privacy of patients' health care information by regulating the use and disclosure of "protected health information." A HIPAA Authorization ensures your loved ones and decision makers can gain access to medical information about your condition when they need it.

HIPAA Privacy Rights Request Form

PATIENT INFORMATION

Name (Last, first, middle initial)

Street address, City, ST, ZIP Code

Primary phone number | Other phone number

Type of Request

Access/copy Confidential communication

Amendment

Accounting of disclosure

Please describe nature of action requested (type of information, or complaint, etc.) in detail.

For alternative communications request, please list...

5. TRUSTS

There are many types of trusts, each uniquely capable of helping you accomplish a variety of goals. However, when most people think of trusts, they are thinking of a common Revocable Living Trust.

A Revocable Living Trust allows you to maintain complete control over your assets while you are alive and provide direction and control in the event of your incapacity or death. The primary purposes of a Revocable Living Trust are to avoid probate, minimize the cost of estate administration and make things simple for your beneficiaries. These are all important goals, but it is also important to note that Revocable Living Trusts do not protect assets from creditors, predators or the cost of long-term care. If protecting assets for yourself or your beneficiaries is important to you, an Asset Protection Trust is needed.

Like a Revocable Living Trust, an Asset Protection Trust allows you to control and manage your assets during your lifetime, avoid probate, and provide direction and control over your assets in the event of your incapacity or death. Additionally, an Asset Protection Trust protects your assets from you in the case of creditors, lawsuits or long-term care costs and for your beneficiaries in the event of their own financial or medical hardships, divorce, bankruptcy and more.

The *Ten Most Avoidable* Estate Planning *Mistakes*

1. DYING INTESTATE

If you die without a Trust, Will or some other form of estate planning, the state in which you reside and the IRS will simply make one for you. Of course, they have no interest in avoiding or reducing estate taxes, minimizing estate administration costs or protecting your family and legacy. The distribution of your assets will just be turned over to the Probate Court. The probate process is needlessly time consuming, frustrating and expensive. It is also open to the public, meaning creditors, predators or anyone else will have complete access to all information about your estate. For the vast majority of people, the benefits of a Trust, Will or other estate planning tools far outweigh any initial costs.



2. HAVING AN “I LOVE YOU” WILL

An “I love you” Will is one in which all the decedent’s assets are left outright to the spouse or children. On paper, it might seem to be a caring, thoughtful gesture, but the reality can be quite different. That’s because such a Will simply passes the complex issues and problems associated with transferring and protecting wealth onto the spouse or other loved ones. An “I love you” Will often creates more problems than it solves, particularly for future generations.

3. GIVING PROPERTY OUTRIGHT TO YOUR CHILDREN

Here is another “solution” that might sound good at first, but ignores several important realities. For instance, what if the child in question is too immature to handle the responsibility of a large sum of money on his or her own? What if the child suffers a severe financial setback that puts the inheritance at risk to creditors? What if the child marries a fortune-hunter, is addicted to drugs or alcohol, gets divorced or remarried? In short, you may need to protect your children and heirs from their own problems or poor decisions.

4. OWNING PROPERTY JOINTLY

In Michigan, there are four types of joint ownership: Joint Tenancy (JT), Joint Tenancy with Rights of Survivorship (JTWROS), Tenants in Common (TIC) and Tenants by the Entirety (TBTE). Each of these types of property ownership carry their own unique properties and challenges. Major issues can arise in terms of delays in probate, gifting implications, outright distributions, claims by creditors and predators including medical debt and ex-spouses. When it comes to longterm care, people often inadvertently disqualify themselves from assistance, including Medicaid, by improperly transferring some or all of their property to a child or sibling. Frequently, joint ownership exposes the property as a whole to the debts and creditors of all the involved parties. Additionally, there are potentially massive, avoidable tax consequences to transferring ownership of real estate, especially to children. Before you sign a Quit Claim Deed or Lady Bird Deed, take the time to talk to an estate planning attorney to understand the full implications of your decision.



5. NOT HAVING A TRUST

A trust is the single most effective estate planning tool available. There are many different types of trusts. Among the better known and more commonly used are revocable trusts, irrevocable trusts and testamentary trusts. In addition to protecting your privacy, a trust will help you leave what you want, to whom you want, in the way you want—at the lowest possible cost.

6. NOT FUNDING YOUR TRUST

A trust can be thought of as a safe. It can do a great job of protecting your hard earned wealth, but if there's nothing in the trust—i.e. nothing in the safe—what good does it do you? None whatsoever. Which begs another question, why would someone go to the trouble of creating a trust and then not fund it? The answer is quite often that the person in question either did not know they needed to or simply never gets around to it. He or she procrastinates, resulting in an unfunded trust—which is worse than no trust at all.



7. NOT HAVING YOUR DOCUMENTS REVIEWED AND UPDATED

Once they have their estate planning and other documents created, many people simply file them away and never look at them again. Big mistake. An outdated plan can be as bad or even worse than having no plan at all. Your documents should be reviewed, at the very least, every two years. Why? In a word, change. Your needs and goals change; your financial situation changes; your children grow older and their needs change.

The law itself is constantly changing. And even if you've specified a trustee or executor, the named person's ability to follow through on your wishes may change as well. Updating your plan allows you to take these changes into account and avoid unintended consequences. This is especially true for Powers of Attorney as many states will not honor powers that are more than a few years old.



8. RELYING ON JOINT TENANCY TO AVOID PROBATE

Did you know that joint tenancy can accidentally disinherit intended beneficiaries? Joint Tenancy property passes by the operation of law and can defeat an Estate Plan. Many people add names on joint tenancy property incorrectly thinking it will protect their assets if they have to go to a nursing home. This can be a huge mistake and end up disqualifying individuals from Medicaid. Additionally, Joint Ownerships can have massive unintended tax consequences as well as exposure to debt, creditors and personal conflict. The importance of getting expert legal advice to understand property ownership is critical. Different types of property ownership can be very beneficial.



9. THINKING A LIVING TRUST ALONE IS ENOUGH

The Living Trust is a powerful estate planning tool, but to truly ensure your wishes are carried out should you become incapacitated and incapable of making decisions for yourself, other tools are needed. For example, an Advanced Healthcare Directive can dictate how you wish to be cared for and what steps you authorize medical personnel to take to prolong your life. A HIPAA Authorization can ensure your privacy while still making crucial medical information available to the people you want to have it. A Power of Attorney for financial affairs determines in advance who will be able to make certain financial and legal decisions for you. Other common estate planning tools include Pourover Wills, Assignment of Personal Property, Community Property Agreements, Appointments of Guardianship or Conservatorship, to name a few.

10. UNDERSTANDING THAT THE BIGGEST PROBLEM IS NOT THE IRS

If the biggest threat to preserving your wealth is not the IRS, who or what is? Frankly, it is human nature. None of us wants to think about our own deaths or the possibility of becoming incapacitated. Consequently, we tend to put off taking the steps necessary to prepare for what the future may hold. We procrastinate. And our loved ones often suffer the painful financial consequences. Perhaps Walt Kelly put it best: “We have met the enemy and he is us.”



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TO GET STARTED**

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