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Ten Common ESTATE Planning Mistakes

These mistakes may cost you and your family thousands (and tens of thousands) of dollars and unbelievable heartache and family rancor. Do not despair - you can solve these problems and avoid these mistakes with the assistance of your attorney.

Mistake 1: Improper Use of Jointly-held Property. Often used as the “poor man’s Will.” If owned jointly “with right of survivorship,” your share of the property bypasses your Will and is taxed when the surviving co-owner dies. This may waste the tax free estate exemption at the first death and create taxes where none would exist if properly planned

Mistake 2: Improper Life Insurance Arrangement. Benefits are paid to the primary beneficiary at death. Often there is no contingent beneficiary if the primary dies before you - which means proceeds are paid to your estate. This is a bad result - the proceeds become subject to probate and claims of creditors first. If you own it, it’s part of your taxable estate. And sometimes ex-spouses are still named as beneficiary, years after the divorce, causing confusion and expense to sort out the mess.

Mistake 3: Lack of Liquidity. Many estates have no cash or easily liquidated equities available to pay the cost of estate administration, income taxes, estate taxes, attorney and other professional fees, debts, or maintain the family while the estate is probated.

Mistake 4: Choosing the Wrong Executor. This is the most important person to your estate - he or she must collect all assets, pay debts, and distribute property to beneficiaries. The person selected often serves without compensation, and without bond. Often they do not have the time, or do not get along with family members.

Mistake 5: Errors in the Will. If your Will was not properly executed, then your state’s intestacy law will direct who gets your property and assets. Often wills are not updated for new children, divorce, tax law changes or a move to a new state.

Mistake 6: Leaving Everything to Your Spouse. Many people feel that there will be no federal estate tax because of high limits or the unlimited marital deduction. However, every person has a stated amount (federal exemption) that can be left to a non-spouse without triggering the federal gift and estate tax (state rules may differ as to amounts and rates).

If the exemption of the first to die is not used at the first death, the surviving spouse is limited to their own exemption at the second death. This may cause a taxable estate where there would not be one with proper planning.

Mistake 7: Improper Disposition of Assets. This is simply giving the wrong asset to the wrong person at the wrong time. It could occur if a complex estate is left to a spouse who is unprepared to handle it. Often, impaired individuals are left property outright - which they may spend frivolously or may disqualify them from government benefits.

And there is the “equal but unequal” distribution - all children share equally but not all have the same needs or skills at managing money. This problem raises its ugly head when a family business ends up in the hands of children not interested in running it, or not skilled at it.

Mistake 8: Failure to Protect and Maximize Value. This is a problem suffered by many business owners. No plan is in place to determine fair market value, or who will buy, or how payment will be made. Proper use of buy sell arrangements funded with life insurance can help stabilize the business.

Mistake 9: Lack of Adequate Records. It can drive your Executor crazy - and cost thousands of dollars - if estate and financial documents are hard to find. Create an estate inventory - use a videotape of specific property - put important documents in a safe deposit box and give your executor a key. Show him or her where you keep tax records. Write out a “Letter of Instructions” to guide him as to your desires.

Mistake 10: No Master Strategy or Game Plan. Do-it-yourself estate planning is similar to do-it-yourself brain surgery - few can do it successfully. Beware of trust scams, radio talk shows and the “urban legends” tossed out by family and friends.

The solution to avoiding these mistakes is to form an effective team to set up a plan - this means a financial planner, accountant, lawyer and/or trust officer.

- ✚ Educate yourself and your family.
- ✚ Talk about your desires
- ✚ Show family members where important documents are located
- ✚ Discuss money and assets with family
- ✚ Teach them how to handle money and impart your values.

**Call us today for an appointment to learn how you can
avoid unnecessary delays and costs.**