United Way
of Santa Barbara County

visions IN PERSONAL PLANNING

Joe Green, a member of the Endowment/Gift Planning Services Committee, and his wife Marilee have been Heritage Club members since 1988.

Beyond Your Will: A More Complete Estate Plan

Most of us are aware of the importance of having a will and keeping it up-to-date. However, it pays to remember that a will is only part of your estate plan. Many important instructions and provisions regarding your property are contained in a will, but other types of property may pass outside your will. You need an overall estate plan that can help provide for the people that are near and dear to you.

In this issue of *Visions*, we look at ways to create an effective estate plan — one that can account for everything and one that your family, friends, and favorite charities can count on. Effective planning begins with an understanding of what happens to assets after death. Effective planning also provides you with the opportunity to make certain your assets go where you want them to go and to do so in a tax-efficient way.

We think that you will find this issue of *Visions* insightful and thought-provoking. If you would like further information, please return the enclosed reply card to receive our booklet ***Estate Planning Today***. Of course, we welcome your questions and comments at our office anytime. We are happy to help in any way that we can.

Your Will is the Cornerstone of an Effective Estate Plan

A will controls the disposition of many of your assets, but not all of them. A will does make certain, however, that your loved ones, close friends and favorite charities are not shortchanged or left out in the cold.

If a person dies without a will, the estate will be divided according to state intestacy laws: a statutory formula is applied to divide the property between family members. No thought is given to how the deceased would have taken care of family members, friends, or charities.

When you create and execute your will, you determine who gets what. Creating a will provides you with the opportunity to make specific gifts for those special people in your life and to support organizations like ours through charitable bequests. A lot can be accomplished with your will in place. But a will is not a complete estate plan. There is more to consider...

Joint Property and Beneficiary Designation: Property that is More than Your Own

Usually, property belongs solely to one individual. But at other times, two or more persons "own" the same property. Different persons may have equal rights to the property or one person may simply have a survivorship interest. These shared ownership arrangements can be defined as "joint tenancy" or "joint tenancy with rights of survivorship." Or, a person may have property interests through a P.O.D. (or payable on death) provision.

Keep in mind that bank, investment and retirement accounts are often titled in two or more names. The owner of these accounts designates a beneficiary or beneficiaries to receive all or part of the property in the event of their death. This designation holds even if a will says different.

Example: Kira Patel owns a checking account that keeps an average balance of $5000. Kira visits her bank and lists our organization as the survivorship beneficiary to her account. Kira maintains control of the checking account during her own lifetime. We cannot draw on the account, nor do we have a right to freeze the account, nor close the account. However, if Kira were to die, our organization is entitled to receive the proceeds of the account — a very simple, direct, and effective arrangement.

It is important to know that there are other ways to pass on your assets other than listing a family member, friend or charity in a will. Beneficiary designations can be an effective way to distribute your estate outside a will. However, be aware that such designations do not necessarily remove the assets from your estate. To avoid the costs and delays of probate, consult with your attorney and other advisors.

Life Insurance: Another Opportunity for Beneficiary Designation

Life insurance is a contractual arrangement outside your will that you hold with your insurer so that a sum or benefit goes to your designated beneficiaries when you die. This will take place whether or not you have a will; or, if you have a will, regardless of what the will says. A policy and the benefits paid on that policy are not included in the policyholder's probate estate (unless that person has made the benefit payable to the estate itself). In most cases, a life insurance policy is purchased for the benefit of a loved one. Life insurance can provide peace of mind that all will be taken care of.

Life insurance can also be an asset to donate to a charitable organization. A donor can choose to list us as a primary or contingent beneficiary. Under a contingent arrangement, the charity will receive the proceeds if the original beneficiary cannot claim the proceeds. Or, a donor can donate the policy outright to the charity and take a tax deduction for the face value or fair market value of the policy (whichever is lower). Consider your personal circumstances. It's possible that the life insurance policy purchased several years ago may no longer be needed for its original purpose. Perhaps that life insurance can benefit an organization such as ours.

Don't Wait for Your Will – Reduce Your Estate and Avoid Taxes

An effective way to reduce the size of your potential estate and (perhaps) your estate tax liability is to regularly make gifts during your lifetime. Every year, you can give cash or property valued up to $12,000 to any individual or organization without incurring gift taxes under the annual gift tax exemption. If you are married, you and your spouse can give any person cash or property valued up to $24,000 in a year. And the exemption applies to each person, meaning that you might choose to give $9,000 to your grandson, $11,000 to your niece and $10,000 to your friend that needs help with her medical bills, and every gift falls under the exemption.

A gift to a qualified charity is not subject to gift taxes, which means such gifts can exceed the annual exemption amount without incurring the gift tax. In fact, there are helpful tax benefits that apply when you make a gift to a qualified charity such as ours — you may claim an income tax deduction for the value of the gift. For instance, say you make a cash gift of $25,000 to us. You can deduct the same amount when computing your federal income tax (depending on your adjusted gross income for that year).

Another effective way to reduce the size of your potential estate is to create a living trust or a charitable remainder trust. The basic idea is that you take from your potential estate to avoid potential taxes and direct that asset to someone to meet an existing need. The upshot is that by giving something away today, you control how your assets are distributed and used for the benefit of others. You can find out more by requesting our free booklet, ***Estate Planning Today***.

Did you know...

...that you can arrange for a charitable gift that takes effect when you pass away without mentioning the charity in your will? You can name a charity as the beneficiary of a life insurance policy, a retirement plan or as a P.O.D. recipient on a bank account. It is easy to include a charity in a designation – contact the administrator of the account to learn more.

...that you can set up a charitable remainder trust that provides both a lifetime income and an income tax deduction? This potent combination can potentially increase the income for the donor, reduce income taxes and make an impact gift to us possible.

Learn More

This newsletter only scratches the surface, but gives you a good idea of why you need a complete estate plan — one that goes beyond simply having a will. By coordinating your will with an overall estate plan, you can better ensure that your hard-earned assets go to your intended beneficiaries, including family, friends, and charities.

If you would like more information about how to include charitable giving in your estate planning, please send for our booklet, ***Estate Planning Today***. If you have any questions or comments, please do not hesitate to call our offices. We are glad to help.

Time for an Estate Planning Checkup?

Are your life insurace and retirement plan beneficiary arrangements coordinated with your will?

- Have you arranged your affairs to provide an immediate source of income for your beneficiaries?
- Have you included a bequest to United Way of Santa Barbara County, or have you considered other planned giving arrangements which can benefit both you and United Way of Santa Barbara County?
- Have you taken the time to explore the possible reasons for including a trust as part of your comprehensive estate plan?

Answers to these questions and more are addressed in our booklet, ***Estate Planning Today***, including important steps to take in developing an effective estate plan. Don't pass up the opportunity to get a free copy.

United Way of Santa Barbara County

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