

THE FINANCIAL PLANNER

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Estate Planning Checklist

Because you've worked hard to create a secure and comfortable lifestyle for your family and loved ones, you'll want to ensure that you have a sound financial plan that includes trust and estate planning. With some forethought, you may be able to minimize gift and estate taxes and preserve more of your assets for those you care about.

A Needs Evaluation

One of the first steps you'll take in the estate planning process is determining how much planning you'll need to undertake. No two situations are alike. And even individuals who don't have a great deal of wealth require some degree of planning. On the flip side, those with substantial assets often require highly complex estate plans.

Two key components of your initial needs evaluation are an estate analysis and a settlement cost analysis.

The estate analysis includes an in-depth review of your present estate-settlement arrangements. This estate analysis will also disclose potential problems in your present plan and provide facts upon which to base decisions concerning alterations in your estate plan.

For example, you may believe that your current arrangements are all taken care of in a will that leaves everything to your spouse. However, if you've named anyone else as a beneficiary on other documents — life insurance policies, retirement or pension plans, joint property deeds — those instructions, not your will, are going to govern the disposition of those assets. You want to ensure that all your instructions work harmoniously to follow your exact wishes.

In addition, you may want to consider alternative asset ownership arrangements under certain circumstances. An estate plan that leaves everything to a surviving spouse enjoys the unlimited marital deduction against all estate taxes but fails to take advantage of the decedent spouse's applicable

exclusion amounts against estate taxes under federal and state law. This may result in a larger estate tax burden at the death of the second spouse. Yet these are taxes that can potentially be minimized with careful estate planning. While your spouse will receive your estate free of estate taxes if he or she is a U.S. citizen, anything your spouse receives above his or her federal applicable exclusion amount (\$2.0 million for 2007, gradually rising to \$3.5 million by 2009, followed by the repeal of estate taxes in 2010) may eventually be subject to estate taxes upon his or her death.¹ Many states also have their own estate tax regimes and apply different (lower) estate tax applicable exclusion amounts, which you will need to consider with your estate planning professional.

An estate settlement cost analysis summarizes the costs of various estate distribution arrangements. In estimating these costs, the analysis tests the effectiveness of any proposed estate plan arrangement by varying the estate arrangement, the inflation and date of distribution assumptions, as well as specific personal and charitable bequests.

Estate planning is very complex. And while a simple will may adequately serve the estate planning needs of some people, you should meet with qualified professionals (legal and financial advisors) to be sure you are developing a plan that is consistent with your objectives.

Finally, be sure to recognize that estate planning is also an ongoing process that may require periodic review to ensure that plans are in concert with your changing goals. In addition, because estate planning often entails many facets of your personal finances, it often involves the coordinated efforts of qualified legal, tax, insurance, and financial professionals.

Estate Planning Checklist

Bring this checklist to a qualified professional to discuss how to make your plan comprehensive and up-to-date.

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Part 1 – Communicating Your Wishes

1. Do you have a will?
2. Are you comfortable with the executor(s) and trustee(s) you have selected?
3. Have you executed a living will or health care proxy in the event of catastrophic illness or disability?
4. Have you considered a living trust to avoid probate?
5. If you have a living trust, have you titled your assets in the name of the trust?
6. Are your beneficiary designations coordinated with your will and living trust?

Part 2 – Protecting Your Family

1. Does your will name a guardian for your children if both you and your spouse are deceased?
2. If you want to limit your spouse's flexibility regarding the inheritance, have you created a Q-TIP trust?
3. Are you sure you have the right amount and type of life insurance for survivor income, loan repayment, capital needs and all estate settlement expenses?
4. Have you considered an irrevocable life insurance trust to exclude the insurance proceeds from being taxed as part of your estate?
5. Have you considered creating trusts for family gift giving?

Part 3 – Reducing Your Taxes

1. If you are married, are you taking full advantage of the marital deduction?
2. Are both your estate plan and your spouse's plan designed to take advantage of each of your applicable exclusion amounts (which currently vary from year to year based on current tax law)?
3. Do you and your spouse each individually own enough assets for each of you to qualify for applicable exclusion amounts?
4. Are you making gifts to family members that take advantage of the \$12,000 annual gift tax exclusion?
5. Have you gifted assets with a strong probability of future appreciation in order to maximize future estate tax savings?
6. Have you considered lifetime charitable trusts that could provide you with both estate and income tax benefits?

7. Have you considered the effect of state estate and inheritance taxes?
8. Have you considered including a charitable component in your estate plans?

Part 4 – Protecting Your Business

1. If you own a business, do you have a management succession plan?
2. Do you have a buy/sell agreement for your family business interests?
3. Have you considered a gift program that involves your family owned business, especially in light of "estate freeze" rules? (These rules were enacted by Congress to prevent people from artificially freezing their estate values for tax purposes.)
4. Do you have a plan for payment of any estate tax that might be due to avoid a forced sale of the business?

Points to Remember

1. A plan helps to determine the most advantageous means of owning family assets, as well as to provide for income and tax efficient transfer of wealth, to survivors.
2. Planning may help minimize estate and income taxes, administrative expenses, executor's commissions, and attorney's fees.
3. It is important to ensure all your instructions (e.g., wills, designated beneficiaries) work harmoniously to follow your exact wishes.
4. Estate planning often involves the coordinated efforts of qualified legal, tax, insurance, and financial professionals.

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