

## Chapter XIII

### Let's Plan Your Estate

#### A. Overview and Purpose

After studying the previous lessons, you realize that estate planning is not a matter of just having a simple will prepared, although this may be all that is needed in some situations. To develop an estate plan, a complete analysis of family objectives, net worth, and income needs is necessary; after completing such an analysis, the estate planning tools discussed in this course can be chosen. Information also needs to be available to assist the executor in administering the estate.

A will may be the heart of the estate plan, but many things must be studied to determine what goes in the will. How large is the estate? How is property owned and who provided the major monetary consideration? How many children are in the family? Are there minor, physically handicapped, or retarded children? How much insurance is there and who owns it? Is there a business involved? Does the owner intend for family members to take it over? What will be incurred and what taxes will be imposed in settling the estate? Are there antiques or family heirlooms the owner wants specific family members to receive? This chapter will walk through the process of gathering information needed to evaluate the present situation and begin the planning process. Before doing the actual planning an owner needs to know more about personal objectives and assets. This chapter will pull together this information. There are no student exercises at the end of this chapter, but students are strongly encouraged to fill in the schedules and forms described in the chapter.

#### B. Lesson Objectives

When you have successfully completed this chapter you will be able to accomplish the following objectives:

1. Determine your personal and family objectives for an estate plan.
2. Inventory all of your assets and evaluate your ownership interest in them.
3. Evaluate the financial size of your estate.
4. Estimate the federal estate and Pennsylvania inheritance tax that would be applicable to your current estate.
5. Evaluate the income needs of your present family and potential survivors if one spouse should die and identify income sources to meet these income needs.

#### C. Determining Objectives

The first and most important step is to determine family objectives. The following is a partial listing of objectives. Check those that apply to your situation and add others that may not be listed. Make some notes that provide added details to each objective.

\_\_\_\_\_ Retirement security for parents during their lifetime.

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\_\_\_\_\_ Guardianship for minor, physically handicapped, and retarded children.  
(Name person to be guardian, plus other details.)

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\_\_\_\_\_ Family heirlooms and antiques for the children.  
(Detail what and to whom.)

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\_\_\_\_\_ Turn business over to family members and have it continue into the future.  
(Name individuals.)

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\_\_\_\_\_ Provide for some gifts to children.

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\_\_\_\_\_ Provide for some gifts to church or charity.

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\_\_\_\_\_ Minimize estate expenses and taxes.

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\_\_\_\_\_ Desire that each child be treated equally in the estate.

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\_\_\_ Desire that each child be treated fairly, but not necessarily equal.

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\_\_\_ Education for all children.

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\_\_\_ Achieve a conservation objective by limiting the future use or development of my land.

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\_\_\_ Other

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#### **D. Taking the Inventory**

The second step in estate planning is to make a complete inventory of all property that will be subject to the plan. Do not forget antiques and heirlooms, insurance policies with named beneficiaries, personal property, and stocks and bonds. The ownership of property is an extremely important issue and should be carefully evaluated.

Some people have very complicated estates, while others have simple ones. The forms provided in this lesson are organized to permit a simplified analysis or a very detailed analysis of a family situation.

Form number 1 is a must for the attorney. It outlines briefly the family status and identifies key family members.

Form number 2 is a summary of the family assets and liabilities so the attorney or estate counselor knows your estate size. With this information, a rough estimate of federal tax obligations can be made. You may use Form 5 (six pages) to aid in summarizing assets and liabilities.

Form number 3 provides income and expense estimates. These are necessary to determine whether insurance or other assets are needed. It will influence whether and how trusts should be used. It will certainly influence a gifting program that parents are considering.

Form number 4 is designed to help the executor or heirs administer the estate. On this form list the location of important papers and the names of your professional advisors. If your attorney comes from a large city, he may be difficult to locate if your family does not know who you retained. If you used several banks, your money may lie there for years, if your executors are not aware of it.

Form number 5 entitled "estate evaluation" consists of six pages. These pages provide details on your assets and liabilities. You may or may not use all of these pages depending on how complicated your estate is and how much information your estate counselor or attorney needs. You should keep a completed set for your own information. It will be helpful in completing form number 2.

Keep in mind that your attorney or estate planning counselor needs complete details of your family situation to do an effective job of planning your estate. In addition, the forms are designed to assist you and your executor in managing your estate more effectively, thereby saving you time and money. Too often, a surviving spouse or family member named as an executor must spend hours searching for information needed to settle an estate. Does your family know what insurance you have or how many properties you own? What attorney do you want to handle your affairs? What stocks, bonds, or savings do you own? The inventory is your way of providing an accessible source of information that answers these important questions.

**Contact information for people who helped me to develop my plan:**

Name

Address

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**E. Family Information - Form 1**

Husband's Name	_____	Wife's Name	_____
Social Security Number	_____		_____
Date of Birth	_____		_____
Health Status	_____		_____
Home Address	_____		_____
Business Address	_____		_____
Occupation	_____		_____
Phone Number:	Home _____ Office _____		Home _____ Office _____
Prior Marriage	Yes _____ No _____		Yes _____ No _____

<b>Children's Names</b>	<b>Address</b>	<b>Occupation</b>	<b>Birth Date</b>	<b>M St</b>
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				

<b>Other Dependents Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Birth Date</b>

**F. Estate Summary - Form 2**

<b>Assets - Personal</b>	<b>Gross Estate Values</b>		
	<b>Husband</b>	<b>Wife</b>	<b>Joint</b>
Bank Accounts			
Stocks and Mutual Funds			
Bonds			
Life Insurance			
Real Estate			
Automobiles			
Personal Property			
Retirement Account			
Other			
<b><u>Business</u></b>			
Real Estate			
Personal Property (machinery, livestock, etc.)			
Bank Accounts			
Receivables, Notes, Contracts, etc.			
Other			
<b>Grand Total Assets</b>			
<b><u>Liabilities</u></b>			
Mortgages and Contracts			
Chattels and Notes			
Insurance Loans			
Consumer Loans			
Accounts Payable			
Other			
<b>Grand Total Liabilities</b>			
<b>Gross Estate</b>			

**Note:** Form no. 5 (6 pages) is designed to provide more specific detail on your assets and liabilities. If you are having trouble completing this form 5 first. There is some detail on form 5 that your attorney will need. This will apply especially to real estate on page 3 of form 5.

**G. Estimated Federal Estate and State Inheritance Tax**

	<u><b>First Death</b></u>	<u><b>Second Death</b></u>
Gross Estate	\$ _____	\$ _____
Expenses	_____	_____
Net Estate	_____	_____
Marital Deduction	_____	_____
Taxable Estate	_____	_____
Federal Tax	_____	_____
Federal Tax Credit	_____	_____
State Tax Credit	_____	_____
Federal Tax Due	_____	_____
State Tax Due	_____	_____
Total Tax Due	_____	_____
<b>TOTAL TAX AFTER BOTH DEATHS</b>	<b>\$ _____</b>	

### H. Income Information - Form 3

<u>Source</u>	<b>Estimated Spendable Income</b>	
	<b><u>Current Husband &amp; Wife</u></b>	<b><u>Future Surviving Spouse</u></b>
Salaries	\$ _____	\$ _____
Rentals	_____	_____
Retirement	_____	_____
Social Security	_____	_____
Business Net Income	_____	_____
<b>Investments:</b>		
Savings	_____	_____
Stocks and Mutual Funds	_____	_____
Bonds	_____	_____
Other	_____	_____
Annuities	_____	_____
Other	_____	_____
<b>Total Annual Spendable Income</b>	<b>\$ _____</b>	<b>\$ _____</b>

	<b>Estimated Annual Expenditures</b>	
	<b><u>Current Husband &amp; Wife</u></b>	<b><u>Future Surviving Spouse</u></b>
<b>Housing</b>		
Mortgage or Rent	\$ _____	\$ _____
Taxes	_____	_____
Insurance	_____	_____
Repairs	_____	_____
Utilities	_____	_____
Other - Furnishings, etc.	_____	_____
Food	_____	_____
Clothing	_____	_____
Taxes	_____	_____
Medical (Dr., Dental, Drugs, Hospital)	_____	_____
Transportation & Travel (Tips, Boats, Campers, Golf, Auto, Plane, etc.)	_____	_____
Insurance	_____	_____
Gifts and Contributions	_____	_____
Personal	_____	_____
<b>Total Estimated Expense</b>	<b>\$ _____</b>	<b>_____</b>

**I. Miscellaneous Information for Estate Administration - Form 4**

<b>A. Paper, Documents, etc.</b>	<b>Check</b>	<b>Where Kept</b>	<b>Addresses (if any)</b>
Birth Certificate			
Marriage Certificate			
Property Titles			
Home			
Business			
Cemetery Lot			
Bank(s)			
Safe Deposit Box (No. _____)			
Insurance Policies			
Vehicle Titles			
Wills			
Trust Agreements			

<b>B. Advisors</b>	<b>Name</b>	<b>Address</b>	<b>Phone</b>
Bank or Banker			
Accountant			
Insurance Representative			
Broker			
Trustees			
Guardians			
Other			

<b>C. Record of Prior Gifts</b>			
<b>Name of Recipient</b>	<b>Date of Gift</b>	<b>Amount or Value of Gift</b>	<b>Comments</b>

**J. Estate Valuation (Page 1) - Form 5**

**A. ASSETS - Family Non-Business**

**Bank Accounts**

<u>Type</u>	<u>Name of Bank</u>	<u>Address</u>	<u>Husband</u>	<u>Average Balance</u>	
				<u>Wife</u>	<u>Joint</u>
Checking			\$	\$	\$

Savings

<b>Total</b>			\$	\$	\$
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**Stocks and Mutual Funds**

<u>Name</u>	<u>NO.</u>	<u>Year Purchased</u>	<u>Purchase Value</u>	<u>Husband</u>	<u>Current Value</u>	
					<u>Wife</u>	<u>Joint</u>

**TOTALS**

Form 5 (Page 2)

**BONDS**

Type and Serial Number	NO.	Year Purchased	Purchase Price	Maturity Date	Husband	Wife	Joint	Current Value
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**LIFE INSURANCE**

Company	Policy No.	Insured	Owner	Beneficiary	Cash Value
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<b>TOTAL - HUSBAND</b>	XXXXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXXXXXXXXXXXX	\$
<b>TOTAL - WIFE</b>	XXXXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXXXXXXXXXXXX	\$

**REAL PROPERTY (Not including business)**

Description	Address	Date Acquired	Purchase Price	Improvements	Depreciation	Husband	Wife	Joint
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**RETIREMENT ACCOUNTS Keogh, IRA, Annuity, etc.**

Type	Value in Account		Ownership	Husband	Wife
	Company or Bank				
				\$	\$
<b>TOTAL</b>				\$	\$

**Forms 5 (Page 3)**

**PERSONAL PROPERTY (not including business)**

<u>Item</u>	<u>Description</u>	<u>Cost</u>	<u>Depreciation If Any</u>	<u>Husband</u>	<u>Cur Wif</u>
Automobiles		\$	\$	\$	\$
Home Furnishings					
Jewelry					
Collections					
Cash on Hand					
Other					
\$	\$	\$	\$	\$	\$

**B. ASSETS - BUSINESS**

**REAL ESTATE**

<u>Tract 1 - Location</u>	<u>Total</u>	<u>Forested</u>	<u>Cost Basis at Acquisition</u>	
	<u>Acres</u>	<u>Acres</u>	<u>Land</u>	<u>Timber</u>

<u>Tract 1 - Ownership</u>	<u>Date Acquired</u>	<u>How Acquired</u>			<u>How Owned</u>				<u>Tena Comm</u>
		<u>Purch.</u>	<u>Gift</u>	<u>Inheri.</u>	<u>Sole Prop.</u>	<u>Joint</u>	<u>Part.</u>	<u>Corp.</u>	

<u>Tract 2 - Location</u>	<u>Total</u>	<u>Forested</u>	<u>Cost Basis at Acquisition</u>	
	<u>Acres</u>	<u>Acres</u>	<u>Land</u>	<u>Timber</u>

<u>Tract 2 - Ownership</u>	<u>Date Acquired</u>	<u>How Acquired</u>			<u>How Owned</u>				<u>Tena Comm</u>
		<u>Purch.</u>	<u>Gift</u>	<u>Inheri.</u>	<u>Sole Prop.</u>	<u>Joint</u>	<u>Part.</u>	<u>Corp.</u>	

**FORM 5 (page 4)**

**B. Assets - Business (Cont.)**

<b>Tract 3 - Location</b>	<b>Total Acres</b>	<b>Forested Acres</b>	<b>Cost Basis at Acquisition</b>	
			<b>Land</b>	<b>Timber</b>

<b>Tract 3 - Ownership</b>	<b>Date Acquired</b>	<b>How Acquired</b>			<b>How Owned</b>			
		<b>Purch.</b>	<b>Gift</b>	<b>Inheri.</b>	<b>Sole Prop.</b>	<b>Joint</b>	<b>Part.</b>	<b>Corp.</b>

**Business Personal Property**

<b>Type</b>	<b>Owner(s) ( Specify Corp. or Partnership)</b>	<b>Original Cost</b>	<b>Depreciation</b>	<b>Undepreciat Value</b>
Machinery & Equip.		\$	\$	\$

Trucks

Livestock

Inventories

Other

**Business Bank Accounts**

<b>Type</b>	<b>Name of Bank</b>	<b>Address</b>	<b>Sole Prop.</b>	<b>Partnership</b>	<b>Cc</b>
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Checking  
Saving

**Total**

**FORM 5 (page 5)**

**C. Debts Owed You: Contracts, Mortgages, Notes, Accounts Receivable**

<u>Type and Security</u>	<u>Debtor</u>	<u>Date Acquired</u>	<u>Original Value</u>	<u>Maturity Date</u>	<u>Unpaid Balance</u>	
					<u>Husband</u>	<u>Wife</u>
\$	\$	\$	\$			
<b>Total</b>						\$

**D. Liabilities**

**Mortgages & Contracts - Real Estate**

<u>Property mortgaged</u>	<u>Name of Creditor</u>	<u>Date Due</u>	<u>Amount Due</u>		
			<u>Husband</u>	<u>Wife</u>	<u>Joint</u>
	\$	\$	\$	\$	\$

**Total**

**Chattel Mortgages & Notes - Personal Property**

**Total**

**FORM 5 (page 6)**

**Insurance Loans**

**Total**

**Consumer Loans**

**Total**

**D. Liabilities (Cont.)**

**Accounts Payable**

<b><u>Items</u></b>	<b><u>Name of Creditor</u></b>	<b><u>Date Due</u></b>	<b><u>Amc</u></b>	
			<b><u>Husband</u></b>	<b><u>Wife</u></b>
<b>Taxes, Real Estate</b>			\$	\$
<b>Taxes, Income</b>				
<b>Taxes, Estate</b>				
<b>Unsettled Claims</b>				
<b><u>TOTAL</u></b>			<b><u>\$</u></b>	<b><u>\$</u></b>

Armed with these forms and your understanding of the issues involved in estate planning, you are now be important decisions that lie ahead of you as you plan. Good luck to you as you proceed!