

## Everyone Needs An Estate Plan

It's surprising how many people I've spoken with that have felt that because of where their assets are, they don't have anything worth the trouble of an estate plan. First, I want everyone to know that you don't have to be a millionaire to have an estate plan. Even if you feel that you're not giving much away, it could be incredibly valuable to your beneficiaries to have a plan in place for after you pass. Not everyone's estate plan is going to look the same; some things important to one family may not hold much value to another. Here's some points to consider when tailoring your estate plan to best suit you and your beneficiaries' needs.

**You may not fully know where your assets are headed after you die.** According to the State of Alabama, if you die with a spouse, but no children or parents, your spouse will inherit everything. However if you die with no children, but with a spouse and living parents, your spouse inherits the first \$100,000 of your intestate property, plus ½ of the remaining balance of your intestate property, and your parents would inherit the rest of the intestate property. [1] There are a number of other variables depending on who survives you, but if you don't have an estate plan in place your beneficiaries will have the state decide where your assets go.

**Who will make health care or financial decisions?** Without an estate plan, you don't have total control over who makes decisions about your medical treatment or who makes certain asset decisions. These don't necessarily even need to be the same person. Perhaps you don't want to burden your spouse after you pass with making hard choices about finances. Maybe you have a financially apt child who would be best suited to handle your estate. The choice is up to you.

**You may not make the best financial decision for your beneficiaries.** When designing your estate plan, it's important to note that there are different tax implications for assets that are passed along before you pass versus those that are distributed after. ElderLawAnswers writes, "For example, suppose you bought the house years ago for \$150,000 and it is now worth \$350,000. If you give your house to your children, the tax basis will be \$150,000[if you're still alive]. If the children sell the house, they will have to pay capital gains taxes on the difference between \$150,000 and the selling price." [2] ElderLawAnswers continues to write that unless the house is lived in for two years before any capital gains can be exempt. However, if you have already passed and then gift your children the house, they have a higher cost basis to begin with, and can sell the house more quickly [3]. It is important to plan ahead all of your estate decisions to prevent any accidental burden on your beneficiaries.

It can be overwhelming and difficult to decide what estate planning best matches your vision for after you pass. It's always an option to contact a financial professional to help guide you in best designing your estate plan. While it may be a huge hill to climb, the future will thank you for it.

## References

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- [1] <https://www.nolo.com/legal-encyclopedia/intestate-succession-alabama.html>
- [2] <https://www.elderlawanswers.com/giving-your-home-to-your-children-can-have-tax-consequences-9667>
- [3] <http://www.latimes.com/business/la-fi-montalk-20170709-story.html>