043010 Middle-Class Estate Planning
By Gary Case

When most of us think about estate planning, we tend to think of the uber-rich for whom the estate tax can mean nine figures in a check to the IRS. Let's consider a middle-income situation that presents its own unique set of estate planning challenges.

Some Treasure Valley residents own properties on the McCall/Cascade area. When a property, in some cases an ancestral home or lakeside camp has special meaning to a family, passing it on to future generations may be fraught with legal and emotional landmines that often were not well considered by earlier generations. These are places where generations connect and reconnect, where holidays have been spent , and where there may be a palpable sense of family, safety, and warmth.

Often times, great-great Grandpa and Grandma left the property to their children equally and undivided. As generations passed, one set of children left their interest to the next. Three or four generations downstream, large numbers of heirs, each of whom likely have an equity interest in an undivided property. Some heirs may live on or visit the property regularly, while others live across the country and have little connection to the property. Taxes and maintenance must be paid for and family ties can become strained when a cousin who has no motivation to give up an ownership interest also may not want to, or have the means to, contribute to taxes and expenses related to the property.

Adding to the complexity is the heirs don't see themselves as wealthy and are surprised when, even after discounting the property's value for lack of liquidity; there may be a need to prepare for potential estate taxes. When heirs realize that if careful planning does not occur, there might not be a way to pass the lakeside property to the next generation, they are often stunned. Selling the property to pay estate taxes is not an attractive option. Deep discussions are required to sort out the emotions and preferences among the heirs.

Other than CEO's and physicians, the most common occupations of those who filed estate tax returns from 2004-2006 were teachers, librarians, and curators, and the second most common asset that contributed to the estate tax liability was real estate, not including personal residence--Hello family resort property.

A competent financial planner can lead a team of professionals to assist the extended family in navigating the labyrinth that accompanies estate planning for such situation.

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