

051410 Middle-Class Estate Planning, Part 2

By Gary Case

In my last column I discussed some estate planning issues that might befall a family who owns a recreational property that may have been passed down for several generations. Today I will extend that discussion to another common situation for area residents, small business owners.

The curse and blessing of a small business is a lifetime of love and hard work put into a business that may be of little interest to the owner's heirs. Take, for example the farms, orchards and wineries in this area. Unwinding an estate of an owner on one of these businesses can be a mess. Many owners know that and encourage their children to join them in the business so it can continue. Sometimes children agree, thinking that sounds glamorous to be a winery owner for example, only to discover that, like orchards and farm, a winery is agriculture. Sometimes children fail or give up the business. Sometimes only some of the children work in the business and their parents are bedeviled with the uncertainty and complexity involved in figuring out how to go about fairly equalizing the inheritance of the children who do not work in the family business.

Another common planning issue in estate planning is how to integrate long-term care planning and retirement plan distributions when a parent wishes to leave as much as possible to her children and grandchildren, after meeting her needs. If for no other reason than the long lives people are now leading and their strong desire to leave some assets to their children, estate planning is very much about long-term care planning, even without discussing the estate tax issue.

But the tax issue may prove to be the sticking point, especially if congress fails to act on the estate tax which disappeared this year only to reappear in 2011 to levels seen earlier—an exemption of only \$1 million (including life insurance) with the remainder being taxed at 55%. The Brookings Institution Tax Policy center estimates that taxable estates will increase over seven-fold should congress do nothing, and capital gains taxes will confront more than 70,000 families because of inherited assets.

As I have written in prior columns, a comprehensive financial plan incorporating the collective expertise of CPA, CFP®, and attorney can literally make the difference between passing assets to heirs directly or having the Federal Government determine who is worthy to receive the benefit of your life's work and savings.

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