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family MATTERS

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Welcome to my inaugural e-Newsletter. It is designed to help you make the best personal and financial decisions for you and your family.

Please call or email me if you have any questions that you would like me to address either privately or in the next newsletter. I'd love to hear from you!

Best,
Tali

CURRENT EVENTS

Estate Planning in The News

Actor, Heath Ledger, Forgets to Name his Daughter in his Will

Heath Ledger, an actor known for such movies as A Knight's Tale, Brokeback Mountain, and the upcoming Batman movie, The Dark Knight, died on January 22, 2008 of an accidental drug overdose. When his outdated Will was made public, it was revealed that he left everything to his parents and sister and nothing to his two-year old daughter and her mother (the actress Michelle Williams, Heath's former fiancée). Just like Anna Nicole Smith, Heath Ledger had an estate plan but failed to keep it current. The result? Unnecessary heartache and less money for the people he cared about.

Heath's daughter may be entitled to a portion of his estate under state law, but it will be costly to establish in court her right to receive her share of Heath's wealth. And, if she does receive her inheritance, it will be at age 18 – perhaps not the best age to receive a large amount of money.

FOOD FOR THOUGHT

YOU DON'T HAVE TO BE RICH TO HAVE AN ESTATE PLAN.

Many people think they don't need an estate plan unless they're rich. Not at all! A properly drafted estate plan is essential even to a person of modest means.

First, having an estate plan is not just about money – there are also non-financial goals. A properly drafted estate plan allows you to designate guardians for your children in the event that the unthinkable should happen to you or your spouse. It allows you to direct how and when your children will receive their inheritances. It also allows you to have control over what happens if you are in an accident or have an illness that incapacitates you. Through an advance health care directive (also known as a living will) and power of attorney, you can state your wishes and preferences explicitly, thereby avoiding a Terry Schiavo-type family feud.

Second, an estate plan makes financial sense even if you don't have many assets. Let's look at what would happen if you were to

Had Heath kept his estate plan current, he could have avoided the need for a court proceeding or directed that his daughter receive her inheritance at a more suitable age. He could also have provided for Michelle Williams, who may not have any legal rights because she and Heath were not married.

> *Moral of the Story:*
> Creating an estate plan buys you peace of mind, but you must keep it current. Whenever you have a major life change - such as a marriage, a divorce, a birth, a death, or a large increase in wealth - get your plan reviewed. At a minimum, you should have it reviewed every three to five years to make sure that the law has not significantly changed. Only this will give you the peace of mind that you and your family deserve.

5 Costly Estate Planning Mistakes

1 NOT KEEPING YOUR PLAN CURRENT. Establishing a properly drafted estate plan is critical, but having it reviewed and updated as the law and your life changes is equally as important. Don't let your estate plan become obsolete by sticking the documents in a filing cabinet and forgetting about them. To avoid the nightmare scenario of Heath just a Will). Your assets would be administered through a court proceeding called probate. In California, probate can cost anywhere from 2½ to 5 percent of your gross assets. So if you own a house with a fair market value of $1 million and a life insurance policy worth $1 million and no other assets, you could face probate costs of between $40,000 to $100,000! With a properly drafted estate plan, that **entire** amount can be avoided.

Plus, a properly drafted estate plan can reduce and often eliminate federal estate taxes. Instead of giving your money to the government, you will be giving it to your children.

When you think about the financial savings and the ability to care for your spouse and children upon your incapacity or death, you begin to realize the importance – even necessity – of a properly drafted estate plan.

What an estate plan gives you is peace of mind. We all die. The only questions are when and how well did we plan and provide for our families afterward. Just some food for thought.

Ledger (see news story above), have your estate plan reviewed at least every five years or after a major life event.

2 FORGETTING TO TRANSFER ASSETS TO YOUR LIVING TRUST.

Remember: An unfunded, or empty, trust is of no use to you. To avoid the costs of probate – which can run as high as 5% of your gross assets – you must transfer title to your assets to the trust.

3 DESIGNATING GUARDIANS AND TRUSTEES WHO DO NOT GET ALONG.

Family feuds can be eliminated (or at least reduced) if thought is given to how your various agents get along. You may also be able to avoid family feuds by writing your wishes down and giving explicit instructions to your agents.

4 OWNING YOUR HOME AS JOINT TENANTS.

Many married couples own their homes as joint tenants. Doing so can be a mistake. It exposes the surviving spouse to capital gains tax if he or she decides to sell the house. It also creates the risk of costly court proceedings and a conservatorship if one or both spouses become incapacitated. A living trust can help you avoid these problems if title to the property is changed to community property and transferred into the trust.

5 MOVING TO ANOTHER STATE AND FORGETTING TO CONSULT WITH A LOCAL ATTORNEY.

Every state has different laws. If you move to another state, you should consult with a local estate planning attorney to make sure you aren't exposing yourself to unnecessary taxes in your new state.

Question of the Day

"What's So Great About 529 Plans?"

A 529 Plan is a "college savings plan" that virtually every state offers to help you save for your children's post-high school education. Someone recently asked me to explain why a 529 Plan is such an attractive financial and estate planning tool. Here's why:

1

So long as the funds are used to pay qualified educational expenses, neither you nor your child have to pay federal or state tax on any income or gain in the value of the account. Some states (but, unfortunately, not California) even offer a state income tax deduction for 529 contributions.

2

As the donor, you continue to own the funds contributed to the 529 plan and retain control over the account. You can transfer ownership of the account, change the beneficiary to a different child or relative (if, for example, one of your children decides not to go to college), or withdraw funds from the account (subject to a penalty if the funds are used for purposes other than paying for qualified educational expenses).

3

Your contributions to a 529 plan are excluded from your gross estate for estate tax purposes. This means you can reduce your estate taxes by making 529 Plan contributions to your children (or grandchildren).

4

The 529 Plan is not considered an asset of a student for purposes of federal student financial aid.

5

With a qualified 529 Plan, you can give up to $60,000 in one year to each of your children (or other relatives) without incurring any gift or estate taxes!

Stay Tuned …

In the next newsletter, I will discuss:

- **How to choose the best 529 Plan for your family**
- **How to avoid having your kids placed in foster care, even temporarily**
- **Life insurance: what to buy, why, and how**
- **Plus more current events, tidbits, and reminders**

ABOUT THE AUTHOR:

Tali Klapach grew up in Los Angeles and graduated from Princeton University and Yale Law School. Following law school, Tali clerked for a federal judge on the Court of Appeals in New York and then moved back to California to be closer to family and pursue her legal career. Tali now has her own practice providing estate planning services. As the mother of two, Tali knows firsthand the kinds of concerns a family has and the importance of caring for one's children in the most responsible and loving way. Her goal is to help each client make the best personal and financial decisions for their family and to find peace of mind - now and in the years to come.

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