

Planning for the Single Client (Part 2 of 2)

In the first part of this article, we introduced the idea that planning for single people can be more complex than many suspect, and we focused on disability planning. In this issue, we'll discuss the considerations for death planning for the single client.

If a client dies without any kind of planning, the estate automatically goes through probate where affairs are decided openly in a court of law. In many places, probate is expensive and time-consuming. In view of these deficiencies; instead of doing nothing, they might choose to have a will or a living trust. Unfortunately, neither method is particularly effective.

We believe strongly that planning is not about documents – it's about results. Nevertheless, there are some differences between the use of a will and a trust in death planning.

A Will: A will guarantees probate. Any property in the client's individual name is forced through the entire probate process with all the consequent disadvantages. In addition, the ability of a will to deal with much of the single client's property is strictly limited.

For example, a will has no effect on life insurance proceeds, retirement plan benefits, or any other type of property that includes a beneficiary designation. Rather, it is the beneficiary designation that does the "planning." In addition, joint tenancy property is also beyond the scope of a will.

Both beneficiary designation property and joint tenancy property cause a loss of control. They do not allow the client to leave any instructions for loved ones. Planning with happily married couples is simpler in many ways because they tend to leave their assets to each other. But the single client has a myriad of choices including immediate and extended family, friends, and charities.

A Revocable Living Trust: Having a typical revocable living trust is a definite step upward, but it can still miss the mark. With a typical living trust, you do avoid the tyranny of probate IF assets have been properly retitled. On the other hand, such a trust too often consists of bare-bones boilerplate. It contains the language necessary to make it "legal," but not the instructions

that make it personal to the client. Real planning means not only avoiding probate, but also caring for the client and those the client loves.

Minor Children: A properly designed trust allows clients to give what they have, to whom they want, the way they want, and when they want. This is especially important for single clients with minor children.

Minor children cannot own property in their own names. It will be under the control of the probate court. However, by leaving specific "babysitter" instructions for minor children, the single client can set the standards for their upbringing, determine who will manage their affairs, and decide when they should receive distributions from their trusts.

What About Estate Taxes? If the value of the client's assets exceeds \$2,000,000 their estate may have to pay federal estate tax. The IRS does not give any special estate tax benefits to single people. Estate tax planning for single clients will often require the use of irrevocable trusts and insurance.



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