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An Ounce of Prevention: Comparing Proactive vs. Reactive Estate and Elder Planning

Working hard throughout your life is an important way to ensure you will have what you need throughout retirement, and that you will have something to pass on to your loved ones when the time comes. That hard work, however, can only get you so far. If you're not prepared for things like illnesses and long-term care, it can ruin a lifetime of hard work. In addition, if you don't have your estate properly in order, you can lose a lot of it to unnecessary taxes and other avoidable expenses.

When it comes to estate and elder planning, the adage, 'an ounce of prevention is worth a pound of cure' is very true. Let's look at some key ways that good planning can help protect you and your loved ones today, and in the future.

Why Estate Planning is Critical

Writing a Will

Having a will is the most basic step in estate planning, but it also provides a lot of protection. If you should die without a will, your family will have to go through the courts to determine who gets what, and how it is to be distributed. When you have a will in place, however, these decisions will have already been made and are legally enforceable. This not only streamlines the process, but can help avoid family infighting during this difficult and emotional time.

Creating a Trust

There are many types of trusts available, and all of them are designed to protect your estate one way or another. If you don't put a trust in place at the right time, you won't be able to take advantage of the tax benefits throughout the years it is in place. In addition, if you pass away without the trust in place, your assets will typically have to go through

the costly and time-consuming probate process. If you plan ahead and have a trust created, on the other hand, your loved ones can avoid most, or even all probate, and you will have a much greater level of control of how your assets are used.

Business Succession Planning

If you are a business owner, planning out how your business will be passed on to a new owner is critical. Without a properly thought-out business succession plan, most businesses will either fail or go through a very difficult time in the years following the death or incapacitation of the owner. Identifying how your business will run when you are unable to handle it on your own, and how the next owner will be determined, can speed up the process so that there is less uncertainty along the way. This protects your business, and all your employees, from unnecessary risk.

Pre-Death Gifts

A growing number of people are deciding to start distributing parts of their estate long before they pass away. By giving pre-death gifts, you can not only avoid a significant amount of taxes, but you also get to see your loved ones benefiting from what they receive, which can be a great joy. This is a strategy that can begin many years prior to death, and if not taken advantage of, can end up resulting in thousands of dollars in taxes being paid that could otherwise be avoided. You can currently give each individual up to \$14,000 per year without having to pay a gift tax.

Why Elder Planning is Essential

Medicaid Planning

Medical expenses, especially those associated with having to receive long term care, can cost tens of thousands of dollars per month, or even more. This can be devastating to many families. Fortunately, Medicaid is there to pay for a large percentage of these expenses, but only if you have been properly enrolled. If you don't engage in Medicaid planning ahead of time, you may have to use up a significant portion of your assets as part of 'crisis Medicaid planning' before this government program will step in to pay

these bills. By engaging in Medicaid planning years before you need it, you can avoid this complex and very costly process.

Long-Term Care Insurance

Long-term care insurance is an important part of elder planning, and one that can be put in place decades in advance. If you have a good insurance policy in place when you are younger, it can be an affordable way to avoid the expenses associated with nursing homes or in-home medical care. The older one gets, however, the more expensive this type of insurance becomes. Perhaps more than any other elder planning tool, long-term care insurance requires you to plan many years in advance to take advantage of its benefits.

Health Care Directive

Many people will, at some point in their life, get to a point where they are unable to make their own decisions regarding the type of medical care they receive. If you don't identify who should make decisions on your behalf, the responsibility will fall to your loved ones, who will often disagree about what to do. By appointing someone your health care agent, you can be sure that someone you trust to make decisions will be acting on your behalf. This is an effective way to ensure medical decisions are made by someone you know who has similar morals and beliefs as you in this area, which can be very comforting.

Power of Attorney

Similar to a health care directive, the power of attorney names another individual to be able to make financial decisions on your behalf should you become incapacitated.

Without this document in place, your loved ones will have to petition the courts to name someone to handle your finances, which can be a difficult task and result in someone you would not have chosen to be in control of your estate. Granting someone financial authority now will ensure your financial obligations are being met, even when you are unable to handle them on your own.

As you can see, taking some time now to plan for the future can help you and your loved ones to avoid a lot of very serious, and potentially very costly, problems down the road. While the idea of estate and elder planning can seem intimidating at first, a good attorney can really make it a very easy process. Don't put off these important steps any longer, start getting the necessary plans in place right away.