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THE TOP TEN ESTATE PLANNING MISTAKES

This article describes ten common planning mistakes that we see in our estate planning practice that can hurt your family's relationships and finances.

10. Non current beneficiary designations. Retirement plans, insurance policies are paid to the designated beneficiary or beneficiaries. If relationships have changed, this may result in payment to the "wrong" person.

9. Incorrect beneficiary designations. If minors are named as designated beneficiaries at the time of death, a court appointed conservator will be named to supervise the assets. This often occurs when children were originally named as contingent beneficiaries. Many find this process intrusive, cumbersome and expensive.

8. Not protecting your beneficiaries. Many of our most cherished loved ones are not good money managers. Statistics indicate that, no matter how large or small, the average beneficiary will spend his or her inheritance within eighteen months. The Southern California Car Dealers Association tells us that it takes 19 days for the beneficiary to purchase a new car. Often beneficiaries are pressured to make interfamily "loans" and relationships can be hurt. This can be avoided with proper planning.

7. Not planning for retirement plans and IRA's. Retirement plans are subject to both income tax of 15% to 39.6% upon distribution and estate taxes at death (45% if the fair market value of your estate exceeds $3.5 Million) Planning techniques are available greatly increase after tax distributions to your loved ones.

6. Putting Property in Joint Tenancy with Children. Children will be subjected to avoidable income taxes upon sale and joint tenancy may lead to unintended beneficiaries.

5. Married Couples Owning Property in Joint Tenancy. This leads to the loss of one unified credit for estate tax purposes. For couples with over $3.5 Million in assets and may trigger an avoidable estate tax. More efficient techniques are available to avoid probate.

4. Not planning for items of sentimental value. These items frequently lead to hard feelings, family squabbles and broken relationships for years to come.

3. Failing to name a guardian for minor children.

2. Not planning for your disability. If you have attained age 65, your chance of developing Alzheimer's disease is 50/50. During disability, planning allows you to choose who will manage your affairs.

1. Doing Nothing. This is the most serious and common mistake since it often compounds many of the other mistakes.

Many people work 80,000 hours (2000 per year for 40 years) to accumulate an estate, but spend less than an hour to plan for their loved ones. These mistakes can be efficiently avoided by consulting a competent financial advisor and estate planning attorney.