

Essentials of Estate Planning:
“What you need to know today to plan for tomorrow.”



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I. General Purposes of Estate Planning

- Determining who gets your assets. Provides you with the opportunity to direct the passing of your assets in numerous situations, including:
 - In the event your spouse predeceases you;
 - In the event your spouse survives you and later remarries; or
 - In the event you wish to leave your assets (or a portion thereof) to charity.
- Providing for your children and/or grandchildren. The ability to appoint guardians to raise any minor children in the event you and your spouse are deceased. Additionally, setting up a mechanism, such as a trust, to manage children's inheritance until they reach legal and/or financial maturity.
- Planning for incapacity during life. Appointing individuals to assist you in making both financial and medical decisions in the event you are no longer able to do so.
- Coordinating Beneficiary Designations. Ensuring that beneficiaries of retirement accounts and life insurance policies receive those assets under the distribution scheme set forth in your Will and/or Trust.
- Estate Tax Planning. The need to be aware of whether an estate tax will be owed upon your death, and planning to minimize the amount of any such tax owed. The current Federal Exemption is \$5.5 million, while the current Connecticut Exemption is \$2 million.

II. Wills

- Allows you to direct where your assets pass upon your death
- Avoids the default "intestacy rules" set forth under Connecticut statutes
- Allows you to appoint a guardian for any minor children

III. Trusts

- A private agreement between a grantor (you) and a trustee (likely also you), to manage assets for the benefit of the trust's beneficiaries.
- Why you may need/want a trust
 - Individuals who will be inheriting from (beneficiaries) you are minors
 - Beneficiaries are not financially responsible
 - Protect beneficiary's inheritance from creditors
 - Probate avoidance
 - Maximizes use of estate tax exemption and/or defers estate tax until death of surviving spouse
 - Want to provide for spouse but ensure any unused funds then pass to your children; particularly important in event:
 - You have children from previous relationship
 - Your surviving spouse remarries

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- Revocable Living Trust
 - Freestanding document, separate from your Will
 - Can be funded during your life and/or upon your death
 - If funded during life, assets avoid probate.
 - Can be designed to address every contingency.
- Irrevocable Trusts
 - Numerous types that provide numerous benefits
 - ILIT, QPRT, GRAT, CRAT, CRUT, etc.
 - Tend to be more beneficial for higher net worth individuals

IV. Incapacity Planning – Powers of Attorney and Health Care Directives

- Gives you a say in who gets to assist you with financial and medical decisions
- Allows you to express your decisions as to end of life care (i.e. Living Will)

V. Importance of Working with other Advisors

- Financial Advisor
 - Updating beneficiary designations to ensure that they conform with estate planning goals
 - Efficient asset management
- Insurance Agent
 - On your life (pay for potential taxes and/or estate administration expenses)
 - On your children's lives (to pay off student loan if you are a co-signor)
- Accountant
 - Ensure compliance with income and gift tax filing deadlines and requirements

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