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Nine Estate Planning Mistakes to Avoid *Independent Financial Professional Provides Tips to Help Americans Successfully Plan their Estates – No Matter the Size*

Madison, NJ (June 24, 2010) — According to a survey by Law.com, only 35 percent of Americans have a will, down from 45 percent in 2007. The number one reason cited for not having a will was the mistaken belief that those without a large number of assets didn't need to plan. “In light of the recession, many people work under the misguided assumption that their day-to-day responsibilities like paying bills and making ends meet are more important than preparing a will,” says John Egan, an independent financial professional. “While daily financial tasks are essential, planning for the future is equally imperative.”

Egan says that estate planning is a necessary means of protecting assets, no matter how much or how little, for family and loved ones. A comprehensive plan can help reduce taxes, expenses and distress for heirs. Egan suggests nine common mistakes to avoid.

1. Assuming an estate plan is not necessary because no estate taxes are owed. “With estate tax laws in flux, whether your estate is large enough to owe estate taxes may depend on when you die,” says Egan. But, he says, even if taxes aren't an issue, estate planning can help ensure that assets are controlled according to stated wishes if incapacitated, and parceled out appropriately at death. It can also help to avoid the cost and delay of probate and minimize emotional and financial burdens on beneficiaries.

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2. Not having a will. Without a will, state law will govern the disposition of a probate estate, with the government deciding who gets what. “Depending on the state of residence, if you are survived by a spouse and children, the estate will typically be divided among them even if that was not the intent,” says Egan. “This is one of the main reasons to have a will – to ensure your wishes are carried out precisely.” Moreover, assets could be poorly managed and the estate could end up paying more than it should in taxes and legal fees. A will allows for specification of who gets what and could help minimize estate taxes.

3. Not having a letter of instruction. “If you change your mind about who gets your favorite jewelry or whether you want to be buried or cremated, you can note these wishes in an addendum to your will called a letter of instruction,” says Egan. Though not legally binding in all states, it will inform heirs about wishes that were not included in the will and can help to alleviate needless conflicts.

4. Leaving the entire estate to a spouse. While many couples leave all assets to one another, that’s not always the best strategy. “You may want some property to pass directly to children from a previous marriage, or to go into a trust to make use of both spouses’ estate tax exemptions,” says Egan. Trusts, which come in many varieties, may help fine-tune estate plans and are typically less vulnerable than wills to legal challenges, in addition to the possible asset protection.

5. Owning all assets jointly. Most couples own property jointly, with rights of survivorship – meaning that upon the death of one spouse, the jointly owned property automatically passes to the surviving spouse, avoiding probate. But this may not be the best choice in all situations. “Owning property separately could make it possible to fund a trust and take better advantage of the estate tax exemption,” Egan says.

6. Not considering annual gifts. “Using yearly gifts to distribute your estate while you’re living can be immensely satisfying, and it takes advantage of an annual gift tax exclusion that allows you to make tax-free gifts each year of up to \$13,000 each to an unlimited number of recipients,” advises Egan. If both spouses gift jointly, the limit is \$26,000. Another possibility according to Egan is to use the \$1 million lifetime gift tax exclusion to make even larger gifts. These gifts given now help heirs to avoid potential estate taxes later.

7. Failing to consider the benefits of charitable contributions. Fulfilling philanthropic goals can also have many tax benefits. An estate can take a deduction for gifts—including cash, personal property, real estate, and certain investments—made to charitable organizations upon death. Charitable gifts given while alive are also deductible and reduce the size of a taxable estate. “Other options to consider are a charitable remainder trust that pays a lifetime income to you and distributes remaining assets to a charity at your death, or a

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charitable lead trust, which reverses the equation, paying the charity now and your heirs when you die,” says Egan. Another option to consider is to use life insurance to “compensate” family members for the part of their inheritance that goes to charity.

8. Keeping life insurance in a taxable estate. Life insurance benefits aren’t taxed as income but they do go into the estate and could increase heirs’ estate taxes. “A better option may be to have your policy owned by an irrevocable life insurance trust that can pass along proceeds without tax liability,” says Egan.

9. Failing to update estate strategies periodically. Everyone’s circumstances change. Egan says that throughout life wealth may increase or decrease, new children may be born and other life events like marriage, divorce and death can add to estate planning complications. He advises regular reviews of the estate plan in order to keep the plan current.

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About John Egan, CFP®

John M. Egan of J.M. Egan Wealth Advisors, LLC in Madison and Point Pleasant Beach, New Jersey is a financial advisor who specializes in wealth management, retirement planning and independent investment advice. Since beginning work in the financial services industry in 1986, John has worked with hundreds of families, teachers, corporate executives, and small businesses in 15 states to help them design a plan to achieve their financial dreams. He has the comprehensive education and experience to handle all aspects of building and preserving wealth. For more information, visit www.JMEgan.com.

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