

Proper Titling of Estate-Plan Assets

By Dennis F. Gorman, Esq., CPA

Do you jointly or individually own your assets? And have you designated the proper beneficiaries on your retirement accounts and life-insurance policies? When it comes to beneficiaries and the proper titling of assets -- identifying upfront who owns those assets, these items must be consistent with your estate-plan documents.

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Let's say your estate plan includes a "Mass Exempt Trust," which is designed to receive assets that are protected by an individual's Mass. estate-tax exemption of \$1 million. If you and your spouse hold jointly the assets and you die, the assets would automatically go to your spouse. The assets would have no chance of getting into your Mass. Exempt Trust. Because such a Trust is designed to receive and protect assets upon your death, your spouse would lose the opportunity to save Massachusetts estate taxes on those assets.

This same issue applies to life insurance. You create a Trust with the intention of protecting some or all of your life-insurance assets in that trust. However, you forget to designate your trust as the beneficiary (and/or owner in some cases). As a result, all of the assets go to your spouse when you die -- and he or she must pay a substantial amount of taxes on those assets.

Retirement accounts? Same issue! You have a 401(k) plan or an IRA account with the intention that some or all of those assets will go into a Mass. Exempt Trust upon your death. Once again, you

forget to make your Trust the beneficiary, resulting in those assets going to your spouse when you die. Therefore, those assets, now in the name of your spouse, will be subject to potential estate tax.

Payable-on-death designations on your regular investment accounts should also be reviewed, to ensure they are consistent with your estate-plan documents.

A TWO-STEP PROCESS

Estate planning is a two-step process -- one that does not require much in the way of time, energy and expense.

First, you set up the estate-planning documents -- i.e., wills and trusts. Second, you make the titling of assets and beneficiary designations consistent with the estate plan you just set up.

Failure to properly take both of these steps may result in your estate-planning documents being rendered wholly ineffective.

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