

Estate Planning for Baby Boomers

By Kristen M. Jackson, Attorney



Baby boomers entering into their retirement years should start putting their estate affairs in order.

Those born between 1946 and 1964, also known as baby boomers, the generation known for its rebelliousness and distrust of the “establishment,” now account for approximately 48 percent of U.S. families. Baby boomers are estimated to have a population of about 78.2 million and are expected to pay the largest amount of estate taxes on a cumulative basis. The older baby boomers nearing retirement age next year have reached a point where they have accumulated substantial assets over the years and trillions of dollars will be paid out on the values of millions of estates, which will be the most ever seen in history.

As baby boomers are quickly approaching retirement, some of their most common concerns are running out of money during retirement and having to pay for the rising costs of health care. Despite this concern, many boomers fail to plan for what happens after they die. Most boomers feel overwhelmed when they study the features of various estate planning tools.

Asset preservation is typically the most important goal of estate planning. Your estate is comprised of such assets as cash, real property, personal property, IRAs, pensions, bank account balances, stocks, bonds, mutual funds, and vehicles. Most of us want to ensure that our heirs will receive our hard-earned assets as easily and expeditiously as possible. However, estate taxes and inheritance taxes can potentially diminish the value and size of your estate, making it critical for baby boomers to implement estate planning techniques to protect the assets they have accumulated over their lifetime.

Drafting a simple will may be sufficient to specify how and to whom your estate will be distributed, who will be the guardian of minor children, and your wishes regarding funeral and burial or cremation in a will. However, if you have no will or only a will, your estate will normally be subject to probate, the court process used to oversee the payment of your debts and distribution of your assets. Probate can take several months or more and can be costly thereby reducing the assets available to your heirs. On the other hand, a trust is useful to avoid the costs and delays associated with probate, and streamlines the asset distribution process.

For boomers whose estates are large enough to be

subject to estate taxes, proper planning utilizing trusts, including both revocable trusts and irrevocable trusts, can minimize or eliminate the estate taxes and pass more value to your heirs. Making gifts can also reduce estate taxes. Everyone can give away up to \$14,000 (\$28,000 for husband and wife) to each child or grandchild per year tax-free. If you own life insurance, you need to ensure the IRS does not become the beneficiary of your life insurance policy on your death.

Trusts are valuable tools for managing beneficiaries' inheritances, particularly if they are young or disabled or have special needs. The trustee appointed in a trust can be given authority and direction as to when and for what purposes a beneficiary's inherited assets can be expended or distributed thereby preventing waste and misuse.

Boomers should also make it a priority to put advance directives in place as part of their estate plan. By designating health care surrogates to make medical and life support decisions and appointing an attorney-in-fact under a durable power of attorney for contractual and financial management, you can be assured there is someone to step in for you if you become incapacitated. The life expectancy of baby boomers is expected to be lengthy and therefore they must consider their need to pay ongoing living expenses. A trust may be established to make monthly or yearly payments to help take care of health care and elder care costs. The trust funds remaining at the individual's death can be distributed to his or her beneficiaries without resorting to probate proceedings.

Though they may still hold the rebellious inner-strength to change the face of nations and world opinion, that doesn't change the fact that baby boomers have joined the senior population. As you enter your senior years, to ensure your estate is planned and managed properly, consult an estate planning professional to assist you in designing an estate plan that will put your affairs in order. **LD**



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