Accounting for Personal Changes During Estate Planning

By Frank L. Brunetti on May 7th, 2012

Business owners who drafted their estate plans months ago to prepare for the estate and tax law changes that will take effect in 2013 may have adopted a “set it and forget it” mentality. However, one of the most significant and potentially harmful results of filing away an estate plan too early is failing to account for personal or company changes that may occur in 2012.

Any number of financial circumstances that may occur can derail an estate plan if they are not addressed before the year’s end, according to the Columbia Business Times. The most immediate changes involve births, deaths, marriages and divorces that have occurred or are likely to occur over the course of the year. This may prompt changes in succession plans and business trust arrangements.

In addition, changes in a company’s status will also weigh heavily on an owner’s estate plans. Retirement and selling off business assets will undoubtedly have an impact, but owners must also pay close attention to mergers and developing new business entities, the news source explains. New business arrangements can dictate what owners can leave to beneficiaries and have a profound effect on succession planning.

Lastly, changes in a business owner’s financial status due to asset appreciation, inheritances and income should be accounted for in the form of an updated estate plan. Oftentimes, owners may fail to monitor the growth in savings and other assets over time, which can lead to tax surprises once new estate laws go into effect.

The current estate tax exemption sits at $5.12 million; however, this amount is expected to fall to $1 million for both estate and tax exemptions in 2013. For this reason, estate and tax planning is critical this year, and businesses can navigate around any uncertainty by closely monitoring and updating their estate plans.