

Estate Planning Seminar



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What is your estate?



Who needs estate planning?

**NOT JUST
FOR THE
WEALTHY**

- Simple estates need planning
- There is no magic dollar figure

**CONTROL
PROPERTY**

- Preserve assets if you die or become incapacitated
- Care for loved ones

**MINIMIZE
DISPUTES**

- Makes your wishes clear
- Avoids family disputes



Planning for incapacity

UNEXPECTED

- Can strike at anytime
- Failing to plan means court will appoint a guardian

BURDEN

- Lack of planning increases burden on the guardian

LOSS OF CONTROL

- Your guardian's decisions might not be what you want.



Planning for incapacity- Healthcare Directives



LIVING WILL



Puts your instructions in writing

HEALTHCARE POA



Allows you to designate an agent to act on your behalf

DO NOT RESUSCITATE (DNR)



Directs that resuscitation measures will be withheld or withdrawn



Planning for incapacity- Property Management

JOINT OWNERSHIP



Gives other person
equal access and
exposes property
to liability

DURABLE POA



Allows you to
designate an
agent to act on
your behalf

LIVING TRUST



Permits successor
trustee to take
over management
of trust property



What happens if you die without an estate plan?

INTESTACY

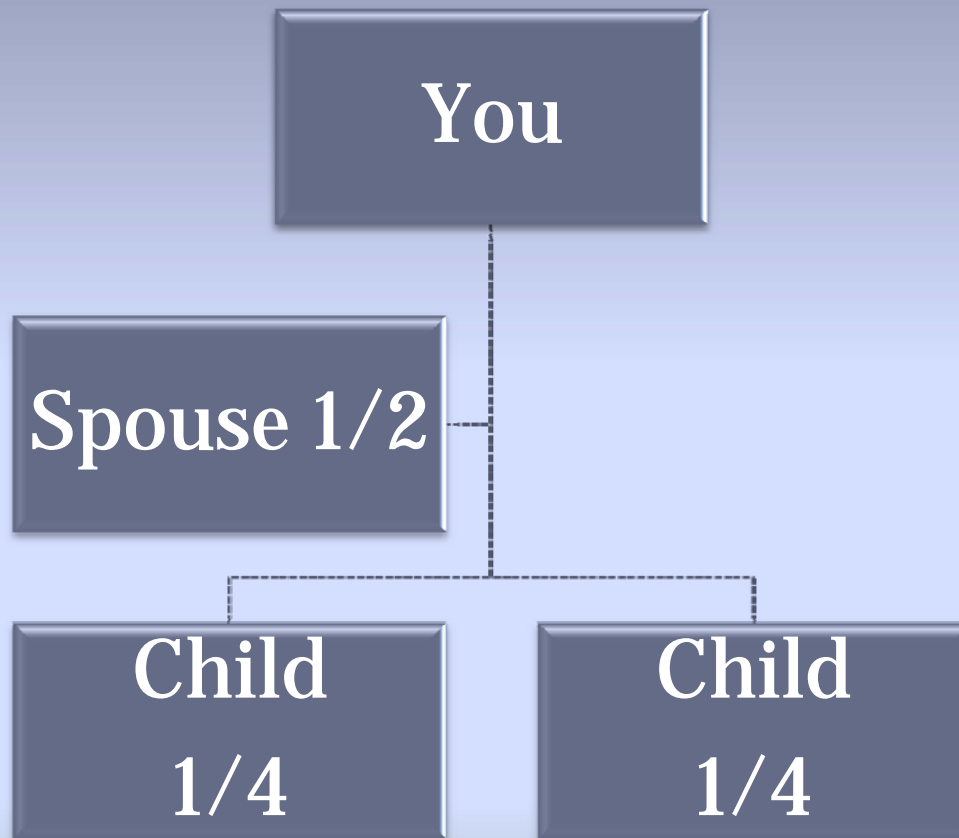
- Probate courts;
- Property will be distributed according to NC law;
- May not be what you wanted.

BENEFICIARY DESIGNATIONS

- Retirement plans (IRAs, etc.)
- Life insurance



What happens if you die without an estate plan?



Typical distribution pattern splits property between surviving spouse and children

YOUR actual wishes are irrelevant



Last Will & Testament: The Basic Estate Plan



**Directs how your assets
are to be distributed**

Signed and witnessed

Names executor



Last Will & Testament: The Basic Estate Plan



Not flexible

Subject to probate

Requires accounting to court

Executor is personally responsible to pay debts and distribute property

Property/accounts are frozen in some cases



How do I avoid probate?



Own property jointly with survivorship rights

Beneficiary designations (insurance, IRAs, etc.)

Utilize a revocable trust

Make lifetime gifts



The Revocable Living Trust



Versatile

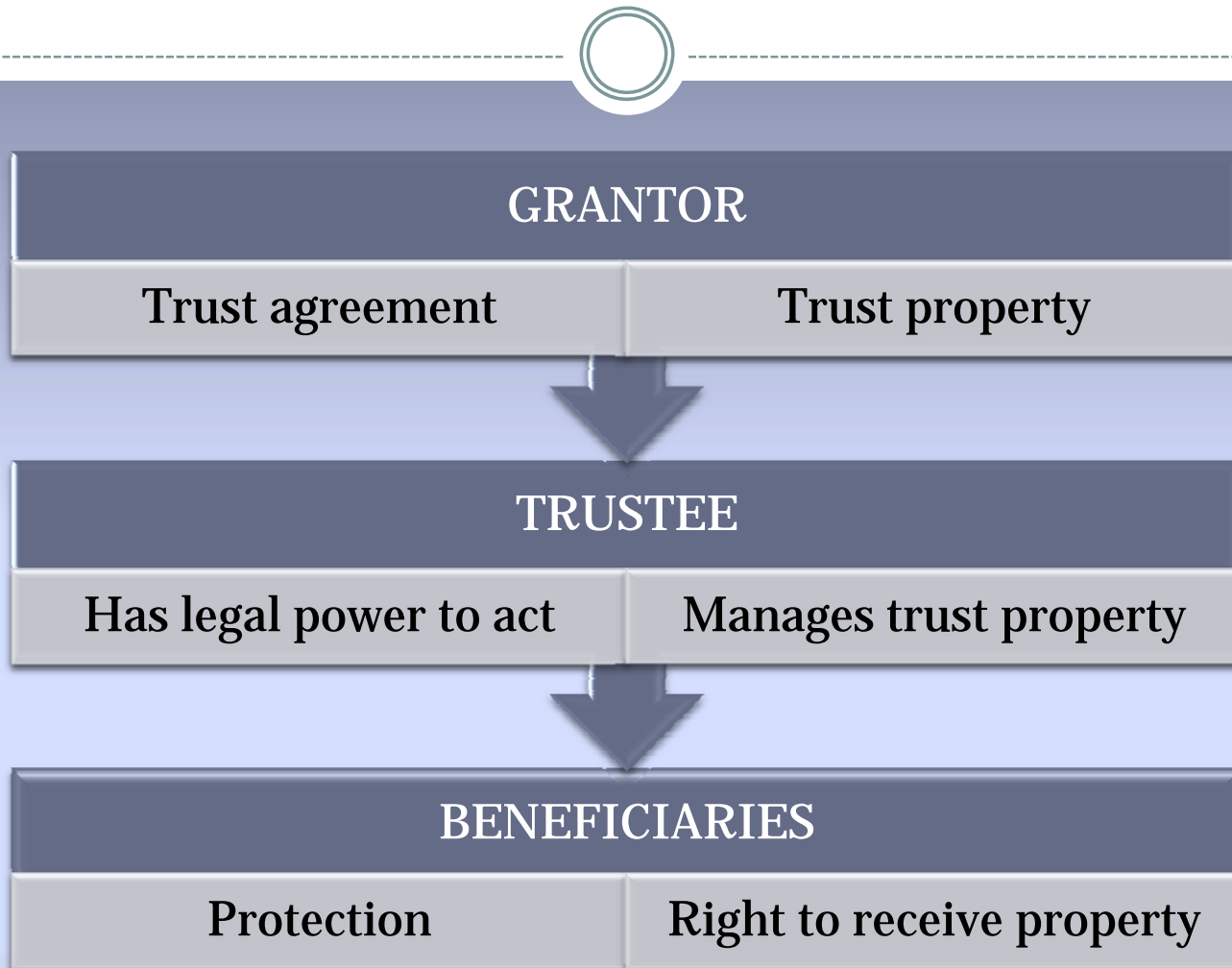
Protects against incapacity, avoids probate, minimizes taxes

Provides safeguards for minors, elderly parents, and other beneficiaries

Control over property



What is a Revocable Living Trust?



Lifetime Gifting



Allows you to minimize transfer taxes by taking advantage of the \$12,000 annual gift tax exclusion (\$24,000.00 for you and your spouse combined) and other tax deductions

Removes future appreciation of property from your taxable estate

CAUTION: NO "STEP-UP" IN BASIS



Tax considerations-Cost Basis



\$20,000.00 (original basis)

\$180,000.00 (current value)

\$160,000.00 (appreciation)

If you gift DURING your lifetime, the recipient is obligated to pay capital gains tax on the full appreciated value. (\$160,000.00)



Tax considerations- Step-up in Basis



\$20,000.00 (original basis)

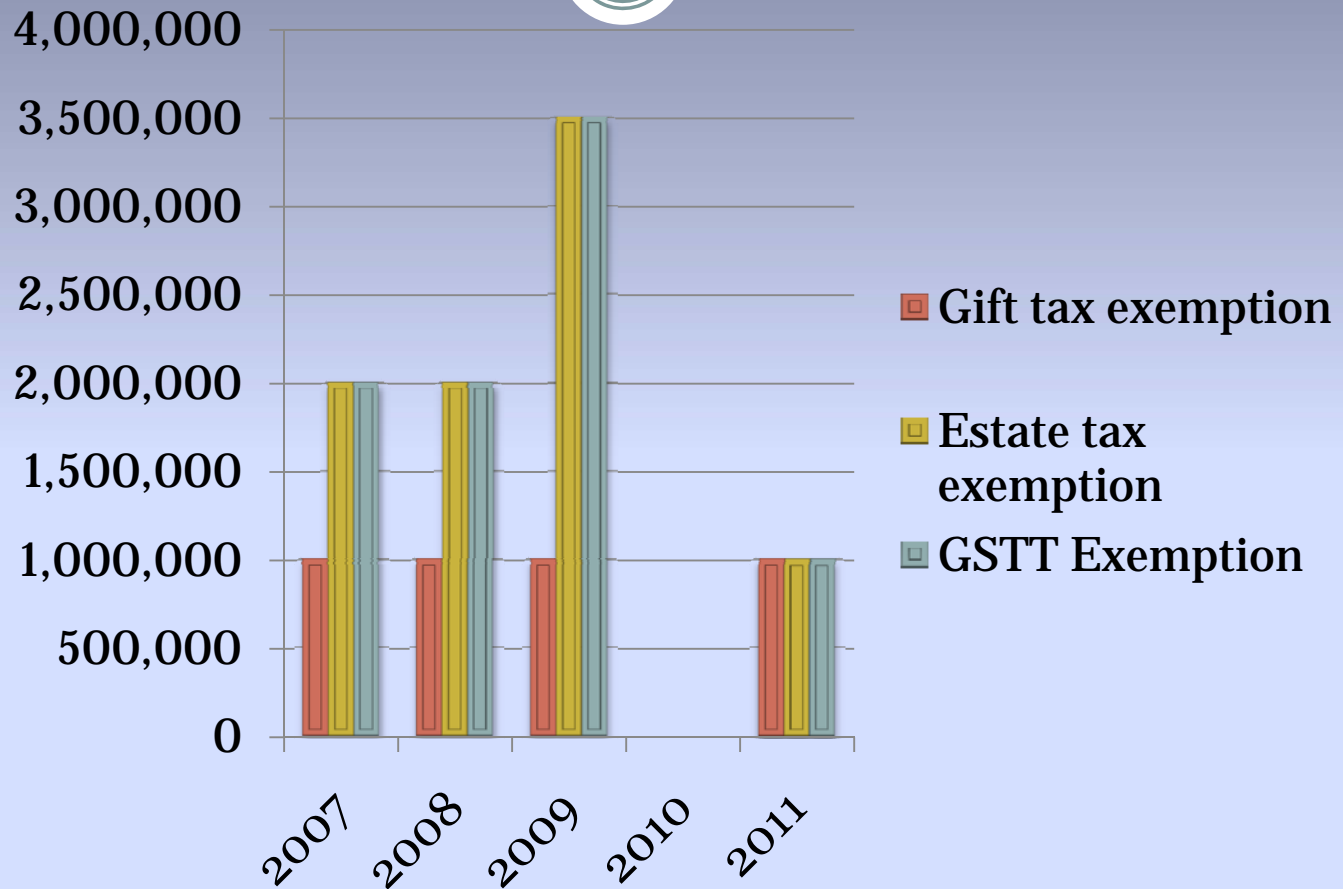
\$180,000.00 (current value)

\$160,000.00 (appreciation)

If you gift through a will or trust, the recipient is **ONLY** obligated to pay capital gains tax on any appreciated value that occurs **AFTER** your death. (theoretically \$0.00)



Tax considerations-Exemptions



Conclusion



Have you implemented a plan for incapacity?

Have you taken the proper steps to control your property after you pass on?

Does your current plan accurately reflect your wishes?



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