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Fixing Financial Planning Oversights - Get Ready for 2020

What should you do today to avoid common financial planning oversights, in order to improve your family's financial security? Over the years, we have learned lessons watching people commit the same repeated oversights. Below we share with you our top ten lessons.

Digital Assets. Digital Assets have gotten away from us. We have hundreds of passwords and online accounts. We have auto-debits that charge our bank accounts or credit cards automatically, and never stop. Accessing or terminating these digital accounts can be a nightmare for your family. Does anyone know how to access your online accounts if you can't? You should have an electronic or paper record of all accounts and passwords, and make sure at least one trusted person has access to them. You should provide, in your will or trust, that your fiduciary has access, as provided by Illinois law.

Access to Cash. Did you authorize another person, easily and immediately, to access at least some of your cash, if you become disabled or die? It will take some time to convert your assets to cash. It will also take some time and a great deal of effort for someone to convince institutions to permit access to your cash for your benefit, if you are ill, or for your family's benefit, if you die.

Insurance. Are you relying on employer group life insurance? The insurance is temporary, lasting as long as you continue your employment with the sponsoring employer. Yes, in many cases you can convert group insurance to personally owned, but the costs tend to be high. The insurance company cannot deny coverage so they build in a generous premium in case you convert when your risk of death may be high. As an alternative, you should, while you are healthy, supplement the employer's group life insurance with personally owned permanent insurance. Speaking of insurance, do you have adequate long-term care insurance? Do you have umbrella liability insurance coverage in case your homeowner and auto insurance aren't adequate to satisfy a claim?

Retirement Funds and Other Inheritance. Have you named the correct primary and secondary beneficiary of your retirement funds? Do they coordinate with your estate plan? Many clients forget to coordinate the naming of secondary beneficiaries with their estate plan beneficiaries. More generally, have you correctly provided for how and when your children and grandchildren will receive an inheritance from you, either from retirement funds, life insurance, or your estate assets? Have you properly protected those inheritances from future creditor claims? There are important teaching lessons you can perform, to prepare your descendants to receive their inheritances at times, and under circumstances, that you consider best, and that optimize tax savings.

Home and Other Real Estate. How do you and your spouse own your home? You may have missed a simple opportunity to safeguard your home from your creditors. By taking title to your home in "tenancy by the entirety," you safeguard your home for as long as you are married to your spouse, you both are living, and the home represents your exclusive principal residence (unless you pledged the home itself to a lender for a mortgage, in which case that lender is not blocked from foreclosing on the mortgage). If you own an out-of-state home or other real estate, it is best to take title in a trust, to avoid unnecessary costs, delay, and publicity experienced when the out-of-state property is subject to out-of-state probate, necessary to clarify title and pass the property on to your designated beneficiaries.

Proper Titling of Other Assets. Have you titled your assets in an optimal way? A decision you made at the moment of purchase may not have been right. For example, there are several varieties of joint ownership, the effects of which produce dramatically different tax and economic results. If you created trusts to protect against the delays, expenses, and publicity of probate or a legal incompetency hearing, generally the assets you own should be titled in your trusts. These include antiques, art collections and jewelry.

Takers in Default. Even in the most masterfully drawn estate plans, clients sometimes overlook the "takers in default" provisions. In other words, after death, the property you pass on to your beneficiaries requires that your beneficiaries survive. But what happens in the remote possibility that those beneficiaries don't survive? Whether those beneficiaries fail to survive because they are not living immediately after your death, or because down the road, your property held in trust faces the exhaustion of the list of beneficiaries you have chosen. The state mandates rules about distant relatives who will inherit from you, if you fail to designate successor beneficiaries. You should consider designating friends relatives, or charities of your own choosing, instead of defaulting to the state's rules.

Powers of Attorney. There are two types of powers of attorney. One deals with your property, and one deals with your health care needs and end of life decisions, if you become disabled. It is important to keep these documents up to date. Your relationships may change from time to time, and you may prefer individuals different today from those you chose years ago. It is also important that the agents you designate have the documents readily available in the case of an emergency.

Keeping Current with Tax Law Changes. Congress continues to fiddle with the tax laws. As a result, the planning you may have done in the past, which was structured to optimize tax results produced under then prevailing law, may require updating. Depending upon how long ago you created your estate plan, old formulas created in reaction to old law may distort the results you intend because of the impact of more recent tax law changes. You should have your advisor look at your current plan.

Business Succession Plans. Undoubtedly, the most important issue in the longevity of any business is the need for a succession plan. Large public businesses expend great effort to design an adequate succession plan to assure the survivability of the business. Private businesses often fail to address who runs the business when the current owner and manager is unable to do so. A succession plan can anticipate the future and provide a remedy - whether an internal employee or group of employees will be groomed to manage or buy out the owner, or an outside consultant will be engaged to manage, or another business will combine with the private business. The work needs to be done to assure longevity of the private business and a fair return to the owner who is no longer present.

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