

The Seven Deadly “Sins” of Estate Planning – and How to Avoid Them!

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Like the theological list of deadly sins (pride, anger, envy, greed, gluttony, sloth, and lust on most lists...in case you need a refresher!), the “sins” of estate planning are mistakes that lead to “deadly” consequences if not vigorously uprooted. This is my list of estate planning “sins”:

- 1. Doing nothing.** Perhaps the result of pride (failure to recognize that “immortality does not run in any family”), and certainly aided by sloth, doing nothing is at the top of the list. It always results in the “default” estate plan, the one the state makes for you. This rarely brings a felicitous outcome; it often brings cost, delay, and hard feelings. The cure is simple: plan!
- 2. Act without analyzing your assets.** A lovely will is useless if your assets all pass by beneficiary designation or by operation of law. Understand – and make sure your lawyer understands – exactly how your assets are titled and how they flow at death. Pay special attention to retirement plans and annuities. Your will doesn’t touch them, but they can contain a large portion of your wealth.
- 3. Assume estate taxes are dead & ignore income taxes.** The future of federal estate tax is unclear, but estate taxes are alive and well in NY, NJ and CT! Understand the value of your assets and plan to minimize taxes. Assets are not all the same. Some carry IRD (“income in respect of a decedent”) which is subject to income tax and estate tax. Make wise choices when you determine which assets go to charity and which go to individuals. Make smart life-interest gifts to improve your overall post-tax income.
- 4. Forget to ask who your beneficiaries are.** Young beneficiaries, ill beneficiaries, foolish or inexperienced beneficiaries, wealthy beneficiaries, risk-prone beneficiaries, and beneficiaries who might get divorced all need special provisions so your gift will be a benefit rather than a disaster. Plan for problems and use generation-skipping trusts, supplemental needs trusts and other protective tools when necessary.
- 5. Greed.** Holding on to assets, control and irrational fears all set a bad example, cost tax dollars, and are joyless. All of us benefit from the work and gifts of others. Give something back. Take care of yourself, but include gifts to loved ones and to charity in your plan.
- 6. Gluttony.** Think only of material gratification and you leave out your most important legacy: your wisdom, values, history, encouragement, and example. Make health care directives, talk with your loved ones, open your soul as you confront mortality.
- 7. Sloth.** Our ever-present companion, sloth will keep us from carrying out plans. The perfect plan is useless if not executed. Check and change your beneficiary designations, fund your trusts, make gifts you intend to make. Follow through! Do it!

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