How To Keep Your Money In Your Family

You've invested your life into caring for their wellbeing. You cherish them and want them to mature into smart, healthy, successful adults. Naturally, as they become adults and grow older, your authority over them recedes. They make their own decisions, and you just hope it's for the best.

Your feelings don't change. They are your children. And they'll always be your children. The same goes for your closest, most intimate friends. You want their futures to be safe and secure; you want them to prosper in life. And what better way to show your devotion and appreciation than by ensuring your hard-earned money and investments go to them—after your passing?

In other words, how do you keep your money in your family or within your circle of closest friends?

Estate planning is the key.

Why is planning your estate so important?[1]

- You avoid probate court. In many states, probate fees can reach 5% of the value of the estate. For an estate valued at $400,000, legal fees may reach $20,000.[2]
- Planning your estate will lessen the tax burden on your heirs. If you die without a will, the laws of your state, not you, govern how your estate is distributed. However, inheritance laws generally favor spouses, domestic partners, and blood relatives. But why leave it to the legal system to decide?[3]
- Many people who are beginning to plan their estates seek professional financial advice following the loss of a loved one or a close friend. While wise, the timing may be off. The best time to start estate planning is immediately—to avoid potential worst-case scenarios, such as mental decline or sudden death of a spouse or loved one.
- Comprehensive estate planning, ironically, helps protect beneficiaries, both adult and children. With adults a plan helps guard against bad financial decisions later or potential credit problems. With children, it designates guardians or conservators to protect minors' financial interests.[4]
- A solid estate plan with asset protection provisions may help shield your assets from potential creditors.[5]

You're planning to enjoy many more years with your family and friends. What can you do now to ensure your money goes to loved ones—as opposed to Uncle Sam?

Here are **5** ways to maximize your family money in the here and now:[6]

1. You can spend your money and your assets, which will ultimately reduce your tax burden and benefit your family. Obviously, your first priority is to your loved ones, not to bolstering government coffers. The problem, however, is that you may live a good, long life, and your goal is to ensure you don't outlive your wealth. This option is worthwhile if you have plenty of cash reserves and a robust estate.

2. Gifts pose the same challenge if your estate and your assets have the potential for a long-shelf life. While giving to family and friends is noble, the IRS establishes restrictions on giving levels. You may give up to $15,000 each to individuals or charities before having to file gift tax returns. The maximum lifetime gift tax exemption is $11.18 million.[7]

3. You may lend to family members and friends. However, to stay IRS compliant, you should draft a loan note that includes the loan amount, payback date, interest rate, and any collateral or security. This enables you to avoid the IRS's gift classification.[8]

4. You may pay wages to your family; 4 in 5 older Americans suffer from at least 1 chronic disease and may need care.[9] By 2030, more than 1 in 5 Americans will be over the age of 65.[10] The IRS allows for the paying of wages to family members, which helps build their Social Security earnings record.[11] Services may include providing home health care or performing other household or small business-re lated work.

5. You can create a life estate deed, which transfers the family's house to a child while the parents retain the right to live in the house. Following the death of the parents, children don't have to go through lengthy probate proceedings. The home transfers to children—beneficiaries or remaindermen—as a gift.[12] A life estate deed may also remove the home from consideration as a personal asset when applying for Medicaid assistance for long-term care needs.[13]

Seek guidance from a financial professional to learn more about your rights and opportunities to provide for your family—even in future generations.

Contact us today at **1.800.662.8756** for more information!

Footnotes, disclosures, and sources:

[1] https://www.investopedia.com/articles/wealth-management/122915/4-reasons-estate-planning-so-important.asp

[2] https://www.nolo.com/legal-encyclopedia/why-avoid-probate-29861.html

[3] https://estate.findlaw.com/wills/what-happens-if-i-die-without-a-will-.html http://money.cnn.com/2016/04/28/pf/dying-without-a-will-prince/index.html

[4] https://www.thebalance.com/what-does-a-guardian-or-conservator-of-a-minor-do-3505167

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[6] https://www.thebalance.com/how-to-minimize-death-taxes-3505688

[7] https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax
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[8] https://blog.taxact.com/family-loans-lend-my-kids-money/

[9] https://www.ncoa.org/news/resources-for-reporters/get-the-facts/healthy-aging-facts/

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[13] https://www.agingcare.com/articles/protecting-parents-home-from-medicaid-183157.htm