

How to start thinking about an estate plan

- If you have assets — like a 401(k), savings or brokerage account, or a house — it's important to think about how those possessions will be distributed when you are gone.
- Here are some tips to head off any fight by your kids and to limit the amount of taxes your heirs may have to pay.

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If you think an estate plan is just for the rich and famous, think again.

Anyone with assets, including a home, 401(k) plan, or savings account, should think about exactly how those possessions will be distributed one day.

And the stakes are high. Over the next 30 to 40 years, **\$30 trillion** in financial and nonfinancial assets is expected to pass from baby boomers — the wealthiest and one-time largest generation in U.S. history — to their heirs.

Even if your plan is to leave your assets directly to your children, keep in mind that not everyone is good with money and there are certain precautions you can take to make sure they don't blow it.

To avoid the possibility of your kids squandering it away, Janis Cowhey, a tax partner and co-leader of the modern family & LGBT services group at Marcum LLP, offers these tips for how and when your assets get passed down.

Create a trust

For starters, a good way to distribute your wealth is to leave it to your children in a trust. A trust, which can be structured in different ways, might specify exactly when assets pass to your beneficiaries (such as when they reach a certain age) and how the money should be used, such as only for expenses tied to education, health care or other necessities.

Trusts can also keep your estate out of probate court — which can be expensive and time consuming — and minimize estate taxes. Most estates aren't subject to **federal estate tax**, since the current exemption for

individuals is \$5.45 million, and \$10.9 million for married couples, and a proposed tax plan that's pending in Congress would double that. Yet many states have much lower estate-tax thresholds.

Additional benefits of a trust: Heirs will still be able to access the money but it will be exempt from creditors. It will also be considered separate from the marital pool, which means if one of your children were to divorce, that money will not wind up in the hands of an ex-spouse.

If you own a 401(k) or IRA, you can also have the money transferred into an [IRA trust](#). Similar to a regular trust, the assets are protected from bankruptcy, and withdrawals are managed by a trustee. And, that prevents an heir from treating an inherited IRA like a piggy bank upon the account owner's death.

You can save on the cost of creating a trust by incorporating it into your will. But it's important to note that the beneficiaries named on financial accounts — IRAs and retirement accounts, insurance policies and brokerage accounts — supersede what is dictated in your will. So make sure to [stay up to date on whom you have designated as heirs](#).

Given all that, nearly three-quarters of all Americans said estate planning is confusing. Only 40 percent have a will and just 17 percent have a trust in place, according to the [WealthCounsel's estate planning awareness survey](#), which means that many are not properly protecting themselves and their families.

So loop in a financial advisor, accountant and other professionals early on — they can help you run the numbers to figure out the best ways to safeguard your kids from fighting — or overspending — and limit the amount of taxes your heirs have to pay along the way.