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Don't let the tax man eat up your estate

By Lisa Shidler
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CHICAGO — The list of estate-planning mistakes is endless, according to one estate-planning expert.

One mistake is that many people fail to make proper plans, and when they do, they often leave everything to a spouse, which can cause them to lose out on potential tax savings, according to David T. Phillips, an estate planner and chief executive of Estate Planning Specialists LLC in Chandler, Ariz.

He is the author of "Estate Planning Made Easy" (Kaplan Publishing, 1994).

"It's just ... that people don't want to face the reality that they have to distribute assets," Mr. Phillips said. "The only way to motivate people is when their best friend dies, and the estate is gobbled up" by taxes.

Another problem is that many people wrongly assume that they won't have to pay an estate tax.

There is also confusion about how to give assets as gifts, and clients don't realize that they can make gifts designated for the future. Mr. Phillips said married couples can give \$24,000 a year to help shave taxes off the estate.

Retirement plans are also a big problem for clients who assume that those assets will pass seamlessly through the estate. Proper beneficiaries have to be documented.

It is also possible for someone to leave one beneficiary a lump sum in retirement assets and designate another beneficiary to receive monthly distributions. This often happens when the person drafting the will has concerns about how a beneficiary handles finances, Mr. Phillips said.

Other mistakes include lacking liquidity to cover estate settlement expenses and not properly preparing for long-term medical care, as well as improperly arranging and holding life insurance.

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