



AN OVERVIEW OF ESTATE PLANNING STRATEGIES

REHBERG LAW GROUP, PLLC
ATTORNEYS AND COUNSELORS AT LAW

An Overview of Rehberg Law Group, PLLC

Rehberg Law Group, PLLC, is a law firm devoted to Estate Planning, Elder and Business Law and Asset Protection Planning since 1968. The attorneys and staff have developed a reputation for our knowledge, the quality of our service, expertise, and our personal attention and concern for our clients. We have served over 9,500 clients locally, nationally and internationally, and have transferred over three billion dollars worth of assets into trusts. We are a truly regional firm, serving clients in Washington, Oregon and Alaska.

Our clients include best-selling authors, professional athletes, corporate executives, business owners, high-tech and manufacturing employees as well as families from every walk of life.

Our firm was the recipient of the Better Business Bureau's Community involvement award for the state of Washington, was named Professional Firm of the Year and Business of the Year by the Southwest King County Chamber of Commerce, was presented the Leadership award by the Kent Chamber of Commerce, and has twice been given honors as one of the top 50 businesses in South King County.

The attorneys at Rehberg Law Group, PLLC, explain Estate Planning in plain English and focus on the goals and desires of our clients, taking the time to understand our clients' goals.

OUR MISSION

Our mission is to exceed our clients' expectations by providing unsurpassed expertise, compassion and advice in all facets of our practice.

What is Proper Estate Planning?

In essence, Estate Planning concerns the establishment or continuation of a tradition. In old Roman law, “traditio” meant a way of transferring the ownership of private property. This tradition involves the accumulation, conservation and distribution of assets. Your “estate” is both the real and personal property which you own, *and* your stance toward that property.

Proper Estate Planning is much more than mass producing Wills and probating estates.

Estate Planning is a process in which professionals, including an attorney who concentrates his or her practice on Estate Planning, spends significant time with you, asking specific questions, in order to understand your needs, your concerns and the objectives for your estate.

Whether it is merely the use of Wills and community property agreements, or more sophisticated planning techniques, proper Estate Planning fulfills these basic goals:

Here is what I want to accomplish: I want to be the one in control of my estate as long as I am able. If I ever become unable to manage my estate, I want to be the one who designates the person to manage my estate for me, without court intervention. Following my death, I want things to be as easy on my loved ones as possible. I want my estate to pass to the people and organizations that I designate, in the way I want. I want to avoid conflict over the administration of my estate, and, finally, I want there to be an absolute minimum of estate taxes, delays, court costs and attorney fees possible in the process.

A proper Estate Plan, then, is something *very personal*, and no two plans will be exactly the same for any two people. A proper Estate Plan should be focused on you and *your*



Planning with Wills: Benefits and Pitfalls

A Will is simply a legal expression of what you want to have happen to your estate when you die. The benefit of having a Will is that you can designate a Personal Representative (the same as an Executor), who is given the responsibility of settling your estate, and you can decide to whom assets will be given and in what manner. Another benefit of Wills is that they are simple to set up, and there is no maintenance associated with Wills, other than updating them when your desires change. Wills are particularly beneficial for younger couples with modest estates and small children, as provisions can be added that designate guardians of the children and Trustee provisions for managing the assets. Most Wills can be drafted by attorneys at a relatively modest cost. There are, however, some important considerations and pitfalls associated with Wills:

Wills Guarantee probate. Many people think that if you have a Will, there will be no probate on your estate. The truth is that if you have a Will, and your Will controls your property, there will be a probate on your estate when you die. Wills guarantee probate. This increases the cost of settling your estate. In Washington, probate is less severe than many places, but the costs are unpredictable, as the amount of attorney fees charged in a case are up to the individual attorney, and are not regulated.

Wills are fully public after you die. Probate is a public process, and after you pass away, your Will, and inventory of all of your assets, and the names and addresses of your heirs are all open and available to the public.



Wills do no disability planning. Wills only take effect after you pass away. Anyone planning with Wills should also execute Durable Powers of Attorney, which give another person the ability to manage your financial affairs if you become incapacitated.

Wills may not control many of your assets. Your life insurance proceeds, retirement benefits and jointly owned property will not be controlled by your Will, unless you specifically title them so they will, and if you do, these items, which are ordinarily not subject to probate, will go through probate.

Wills may not be effective when their makers move to or own property in another state. Because Wills are creatures of state statutes, your Will may not be valid if you move to another state. Additionally, if you own property in another state, that state's laws will apply, and following your death there will be a separate probate in that state.

An Explanation of the Probate Process

Probate is the court process of transferring title of your assets to your heirs following death. The probate laws in Washington are among the best in the nation. Consequently, probate can be relatively less hassle and is generally less costly than many states. Many attorneys will state that probate is inexpensive and simple in Washington. While probate in Washington may be cheaper and easier than in many other states, it is unpredictable, and if there are complications such as a large estate, disgruntled heirs, business interests or complex assets, probate can be both time consuming and costly. Part of the reason for this is that there is no fee schedule for attorney fees in Washington. Lawyers are supposed to charge based upon the time, effort and expertise that are required for that particular probate. Additionally, because a probate action is governed by the court system, the bureaucratic requirements of the courts can, in many instances be time-consuming and burdensome.

In order to insure probate costs are kept to a minimum, your Will must be properly drafted, your personal representative (executor) must be efficient and a good legal consumer, and your estate must be simple.

In order to protect creditors of the estate, probates are kept public, and anyone can go to the courthouse, read the deceased person's Will, see an inventory of their assets (if filed), and a list of the beneficiaries, how much they are receiving, and how to contact them.

The average time spent in probate in Washington is about 1 1/2 years, and while there have been no studies of average attorney fees, a good rule of thumb is about 2% of the value of the assets.

The Probate Process With a Simple Estate:

- Filing a Will and petition for probate with the Superior Court, proving the Will is genuine.
- Judge issues "letters testamentary" to the Personal Representative.
- Notice to creditors/advertisement in paper for 3 weeks telling creditors how to make claims, then a 4 month waiting period for creditors.
- Notice to DSHS of death for Medicaid reimbursement issues.
- Estate's debts are paid to creditors and all taxes paid.
- Estate's assets are inventoried and appraised.
- Assets are sold.
- Assets are distributed to beneficiaries.
- Receipts are collected from beneficiaries.
- Judge is asked to review and close the probate.
- Probate is closed.



Revocable Living Trusts: The Alternative to Probate

A Living Trust is created when one person (called the Trustor) transfers to another person (called the Trustee) legal title to property for the benefit of another person (called the beneficiary). With most Living Trusts, you are all three of those persons.

People use Living Trusts for a variety of purposes. A Living Trust is a substitute for your Will. An Estate Plan using a Living Trust contains your special instructions for your own care and that of your loved ones. If your Living Trust is fully funded, then when you die, there will be no probate on your estate. Living Trusts allow for you to have control over your property while you are alive, to provide for proper management of your estate for your benefit if you become incapacitated, and to pass your assets to your heirs with a minimum of expense, hassle, delay and costs following your death.

Living Trusts are flexible and amendable, and allow you to have full control over your assets while you are alive, to give what you have to whom you want, the way you want and when you want, while saving tax dollars, probate costs and hassle. Properly drafted and executed, the Living Trust can be the centerpiece of a properly planned estate.

POTENTIAL ADVANTAGES OF A REVOCABLE LIVING TRUST

- Avoids probate and associated legal costs.
- Provides instructions for your care and that of your loved ones in the event of your disability.
- Is effective for all of your property, even real estate in other states, which would otherwise be subject to a separate probate in each of those states.
- Keeps your personal affairs private and confidential.
- Controls all your property, including pensions and life insurance.
- Allows you to leave explicit instructions for the care of your loved ones.
- Created protective trusts for young children, disabled children, adult children and grandchildren.
- Provides for federal estate tax planning.
- Requires no special record-keeping or tax returns.
- Organizes your estate for simpler administration.

Checklist: When is a Living Trust Appropriate for You?

- You want to avoid the hassle and time delays involved in a probate, and have the estate settled by family members with minimal involvement of an attorney.
- The costs of probate for you and your estate will be greater than the cost of setting up a Living Trust. Fees for a Trust range from about \$2,500 to \$4,900, depending upon a number of factors.
- There will be multiple probates on your estate, such as when you own real estate in more than one state.
- You want to provide for the protection of your assets in the event you become incapacitated.
- You think there might be a Will contest or you have relatives who would cause a hassle in probate.
- You want the peace of mind in knowing your estate administration will not be a burden on your family.
- You want to make sure all of your property is titled properly and there are no unintended results.
- You want to make sure all of your personal affairs are organized for your loved ones after your death.
- You want to keep estate details private on your death.

Note: Any one of these reasons can be sufficient for you to do planning using a Revocable Living Trust

Estate Taxes: The High Cost of Dying

The Federal Government and the State of Washington have both established an excise tax that is imposed upon your “privilege” of transferring your assets during your life or after your death.

There are three important rules associated with estate taxes:

1. If you are married (and your spouse is a U.S. citizen) you may give your spouse an unlimited amount of assets both during your life and after you pass away. This is known as the “unlimited marital deduction.”
2. Everyone is currently given federal and state exemptions from estate taxes. The federal exemptions are set forth in the accompanying table. Protecting these exemptions is an important piece of any estate plan.
3. Estate tax rates are extremely high. They start at 37% and can go as high as 50%.

The value of your estate is based upon “fair market value” of the assets, and includes everything you own, including your personal property and the death benefit of your life insurance.



Recent tax law changes have caused some people to believe that estate taxes have been repealed. The new tax act, passed in 2001, gradually increases the amount exempted from federal estate taxes through 2009, repeals estate taxes for just one year, during 2010, then repeals the repeal on January 1, 2011, bringing the exemption back down to \$1.0 million dollars. Effective May of 2005 Washington State has a separate estate tax with an exemption of \$1.5 million dollars and a \$2 million dollar exemption in 2006.

Decedent dying in:	Federal Exemption
2003	\$1,000,000
2004 and 2005	1,500,000
2006, 2007, and 2008	2,000,000
2009	3,500,000
2010	Repealed
2011	1,000,000

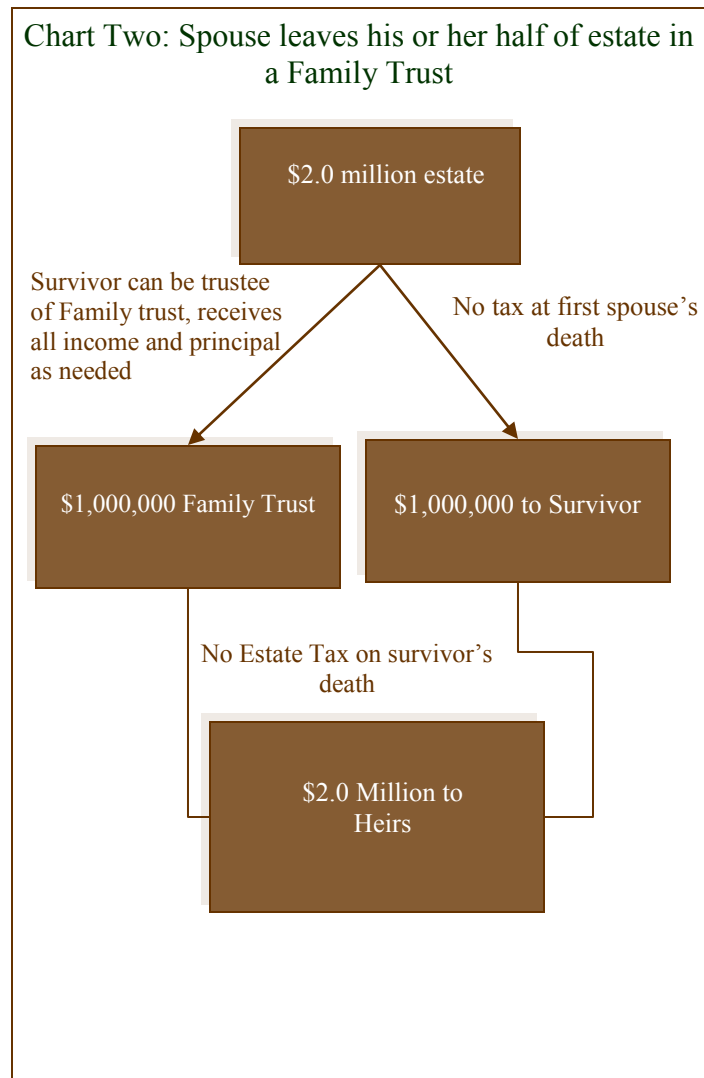
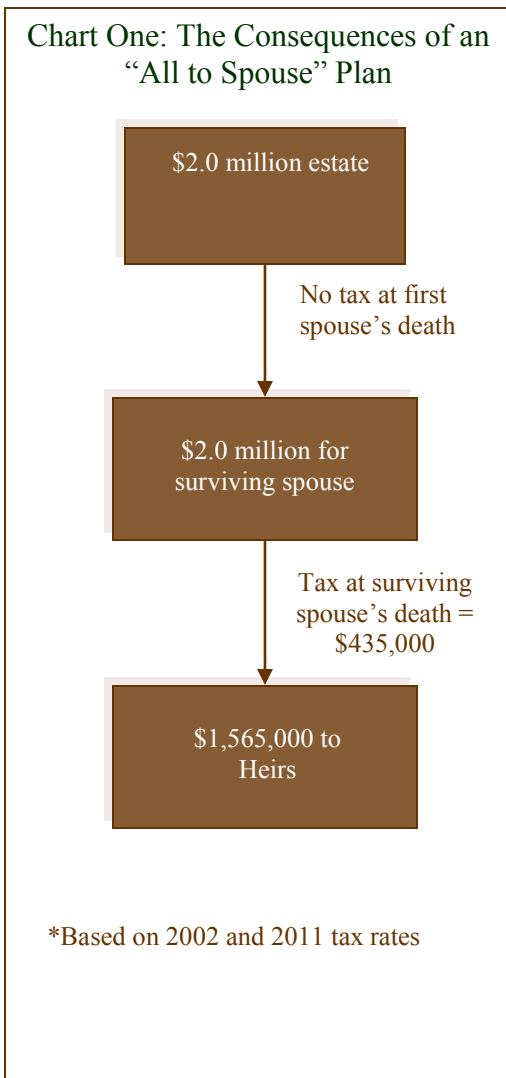
TOTALING UP YOUR ESTATE

Cash	\$ _____
Stocks and Bonds	\$ _____
Notes and Mortgages	\$ _____
Annuities	\$ _____
Retirement Benefits	\$ _____
Personal Residence	\$ _____
Other Real Estate	\$ _____
Partnerships, Business	\$ _____
Life insurance you own	\$ _____
Automobiles	\$ _____
Artwork	\$ _____
Jewelry	\$ _____
Other personal	\$ _____
Gross Estate	\$ _____

How to Reduce Estate Taxes With a Credit Shelter Trust

Everyone has a gift and estate tax lifetime exemption. If you are married and your Estate Plan says that when one spouse dies, the other receives all of the assets, one of the exemptions is not used, and can result in substantial estate taxes due on the survivor's death.

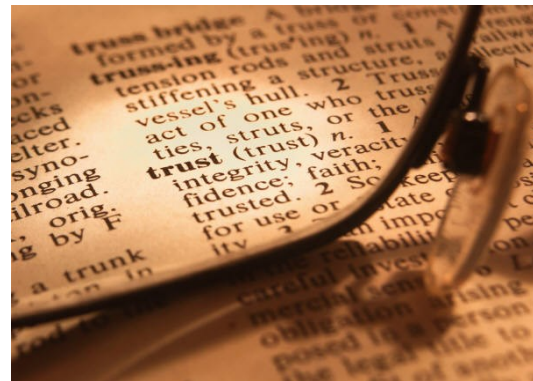
Since assets in an estate equal to the exemption amount are not estate taxes, a married couple can use their exemptions to avoid tax on up to double the exemption amount. In 2011, this amount will be \$1,000,000 unless Congress changes the law.



Other Techniques Can Assist you in Your Estate Planning Goals

There are a variety of tools and techniques available to assist you in accomplishing your Estate Planning goals. As with any technique, each one is suited only to certain people. Your Estate Planning attorney can explain these to you and discuss the pro's and con's of each. Below are just a few of the techniques your Estate Planning attorney uses in practice:

- **Special Needs Trusts** can protect assets for disabled heirs receiving government benefits.
- **Educational Trusts** can remove assets from your estate for estate tax purposes, yet protect those assets for your heirs.
- **Life Insurance Trusts** provide liquidity to the estate for replacing the wealth lost to taxes, often reducing the cost to the estate by as much as 90%.
- **Personal Residence Trusts** allow you to transfer your home or vacation home to your children at a discount, and remove the home from your estate taxable estate.
- **Charitable Remainder Trusts** provide for the sale of appreciated assets without having to pay capital gains taxes at the sale, offer an income tax deduction, lower your estate taxes, and provide a lifetime income back to you.
- **Business Entities**, such as LLC's and Nevada Corporations can protect your estate assets from creditors in the event of a lawsuit.
- **Family Limited Partnerships** and Limited Liability Companies allow you to gift more assets each year on a tax-free basis, while maintain control over those assets.
- **Defined Benefit Pension Plans** can reduce your income taxes dramatically, while providing substantial retirement income.
- **Dynasty Trusts** can protect heirs' inheritances from divorce, bankruptcy, lawsuit, estate taxes and other creditors and predators.



Implementing and Updating Your Plan

Estate Planning is an ongoing process. You must not only develop and implement a plan that reflects your current financial and family situation, you must also constantly review your current plan to ensure it fits any changes in your circumstances.

With the extensive changes and the probability that more changes will occur in this decade, reviewing your Estate Plan regularly is now more critical than ever. You'll especially want to update it after any of the events in the Planning Tip box.

WHERE DO YOU GO FROM HERE?

Remember, Estate Planning is about much more than reducing your estate taxes; it's about maintaining control and ensuring your family is provided for, your business can continue and your charitable goals are achieved. So even if the estate tax is permanently repealed, you will want to have an up-to-date plan in place.

It may be easy to put off developing a detailed Estate Plan or updating it in light of changes in tax law or your situation. But if you do, much of your estate could go to Uncle Sam and this could be very hard on your family.

So please call us with any questions you have about the strategies represented here or how they can help you minimize your estate tax liability. We would welcome the opportunity to discuss your situation and show you how we can help you develop and implement an Estate Plan that preserves for your heirs what it took you a lifetime to build.

PLANNING TIP

4 REASONS TO UPDATE YOUR ESTATE PLAN

1. **Family changes.** Marriages, divorces, births, adoptions and deaths can all lead to the need for Estate Plan modifications.
2. **Increases in income and net worth.** What may have been an appropriate Estate Plan when your income and net worth were much lower may no longer be effective today.
3. **Geographic moves.** Different states have different Estate Planning regulations. Anytime you move from one state to another, you should review your Estate Plan.
4. **New health-related conditions.** A child may develop special needs due to physical or mental limitations, or a surviving spouse's ability to earn a living may change because of a disability. Such circumstances often require an Estate Plan update.

Estate Planning Services

At Rehberg Law Group, PLLC, we offer the most up-to-date and highest quality legal expertise in Estate Planning, including:

- Revocable Living Trusts
- Wills and Community Property Agreements
- Durable Powers of Attorney
- Estate Tax Planning
- Irrevocable Trusts
- Planning Giving Consultations
- Family Limited Partnerships
- Limited Liability Companies
- Asset Protection Planning
- Business Succession Planning
- Premarital Agreements
- Estate Tax Return (Form 706) Preparation
- Disability Planning

We offer personal attention to our clients. Our attorneys are responsive to your individual concerns and questions. Each client spends considerable time with our attorneys, and throughout our relationship receives personal attention from our Estate Planning Team.

Other services we provide:

- Probate and Trustee Representation
- Business Law Services
- Elder Law

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ATTORNEYS AND COUNSELORS AT LAW

Mailing Address:

**18000 INTERNATIONAL BLVD.
SUITE 550
SEATAC, WA 98188
(206) 246-8772
FAX (206) 454-7910**

www.rehberglaw.com

Toll-Free U.S. and Canada: (877) 246-8772

E-Mail: contact@rehberglaw.com