ENGELMEIER & UMANAH
A PROFESSIONAL ASSOCIATION

Frequently Asked Questions

ESTATE PLANNING

What is Estate Planning?

Estate planning can be described as a process that allows you to make your wishes known with respect to your assets should you become disabled and allows you to give away your assets to your loved ones in any manner you choose. In most cases, this process involves more than just having a will in place.

What makes a well-devised plan?

A well devised plan should:

- Address the management of property during disability.
- Provide for the efficient disposition of your property to your loved ones or whomever you wish.
- Minimize federal and state estate taxes.
- Minimize court costs and attorney fees.
- Protect assets left for children via contingent trusts.

Why do I need one?

- Because you have worked hard for your assets, you do not want to simply leave it to the courts to decide how and when to dispose of them. A good plan allows you to control your own financial and personal affairs.
- Because you wish to designate the individual(s) of your choice to take care of your minor children if you were no longer able to.
- Because you have a business and you are concerned about transitioning out of the business, in a tax efficient manner, in the future.
- Because you may want to minimize the impact of federal income and estate taxes on your assets.

What techniques are available?

- Estate planning techniques range from the simple wills to more sophisticated planning for married couples and non-traditional families. There are plans specifically designed for business owners as well. Your plan will depend on a review of all relevant family and financial information, your asset mix, and your tax exposure. We are happy to discuss a plan better suited for your specific needs.

Do I need a will or revocable trust?

A will may accomplish much of the goals that may be accomplished with a revocable trust with a few exceptions:

- A revocable trust may be effective in reducing estate administration expenses and attorney fees particularly if you have property in another state.
- Property may be transferred into a revocable trust during your lifetime.
- The use of revocable trust avoids the involvement of the courts in the administration of your estate (assuming assets are transferred to it), thus keeping your affairs private.

How do I name a guardian for my minor children?

The best interest of minor children are always taken into consideration when designating a guardian for them. You may designate a guardian for your minor children by naming the guardian in your will. This is often one of the primary reasons offered by some for beginning an estate plan.

What if I become incapacitated?

- Your financial affairs may be handled, in cases of incapacity, by granting a power of attorney to a trusted person.
- Health care decisions will be made by someone designated by you in a health care directive.
- These two documents should be prepared as part of your estate plan.
- If a trust is created, you may designate a successor trustee to handle your financial affairs during incapacity.

What if I want to do something for charity?

There are several techniques that can be put in place to benefit your favorite charities. You may also be able to name charities as beneficiaries directly in your will or trust document. We are happy to discuss these techniques in more detail with you.

How does my business fit into my estate plan?

Closely-held business interests present some unique estate planning opportunities. There is a complex mixture of tax and non-tax considerations that comes into play, such as family concerns, management issues, and inheritance goals. Fortunately, there are numerous advanced estate planning tools that can help business owners reach their estate planning goals without sacrificing their businesses.

What are some of the tools available for business owners?

Typical planning tools for business owners include:

- Buy-sell agreements
- Cross-purchase agreements
- Redemption agreements
- Use of a variety of trusts
- Installment sales
- Family limited partnerships (FLP)
- Employee stock ownership plans (ESOP)
- Charitable lead trusts

How will my estate be taxed?

If you once thought that you have not or may not accumulate enough nest egg to be concerned about estate taxes, please think again because you may have acquired more assets than you initially thought. your estate is made up of all property you own or have interest in, at the time of your death. For example, your interest in your home, and any other real estate, your retirement accounts, investment accounts, and proceeds from your life insurance policies. There are federal and state estate taxes imposed on the transfer of these property interests at your death.

Are there any estate tax exemptions?

Under the Tax Cuts and Jobs Act signed into law by President Trump on December 22, 2017, Congress doubled the estate tax exemption allowed for every person's estate. The exemption amount for federal purposes now is about $11.2 million per person or $22.4 million per couple. These higher amounts are, however, temporary and will disappear in 2025 or earlier depending on the political climate.

Are there any estate tax exemptions?

On the other hand, Minnesota estate tax exemption remains at a lower amount of $2.4 million per person in 2018 and scheduled to increase to $2.7 million per person in 2019 and $3 million per person in 2020 and onward. Amounts in excess of $2.7 million are subject to Minnesota estate taxes for Minnesota residents who die in 2019.

The de-coupled nature of the Minnesota estate tax system may result in some unintended consequences under your current estate plan. We are happy to discuss your specific situation with you.

How does my life insurance policy fit into my estate plan?

Your life insurance policy proceeds are taken into account for estate tax purposes if you retain incidents of ownership in the policy. Incidents of ownership include ownership of the policy and the ability to change the beneficial interests in the policy.

Depending on the size of the policy, we can advise you on techniques available to remove your incidents of ownership in the policy from your estate, with the goal of minimizing estate taxation of the policy proceeds, thus ensuring that your loved ones get the full benefit of your policy.

How does my retirement plan account fit into my estate plan?

In much the same way as the proceeds from your life insurance policy, the assets in your retirement account are taken into account for estate tax purposes.

You should know that these assets are also subject to income taxes upon withdrawal. We can discuss various techniques to extend the distribution period and/or minimize the income tax impact upon withdrawal.

Who should I contact to discuss my estate plan?

For all your estate planning needs please feel free to contact Ivory S. Umanah at the law firm of Engelmeier & Umanah, P.A., by phone at (612) 455-7726 or by emailing ivoryu@e-ulaw.com; or Jacqueline M. Schuh at (320) 230-0406 or by emailing jackies@e-ulaw.com