



Protect Earned Assets With An Estate Plan

Estate planning and protecting your partner is particularly important for gays and lesbians. While estate planning may be confusing and uncomfortable, the financial loss and hardships to you or your partner, that can result from the lack of a well-designed plan, make it too important to ignore.

Regardless of your age or wealth, there's no reason to delay creating a comprehensive estate plan with your financial advisor if you believe it is important to reduce estate taxes and administrative expenses, decide how and when your beneficiaries will receive their inheritance, and select an Executor to manage your estate.

Taxes

Estate taxes provide two important reasons for advanced planning. First, taxes can eat your assets. The marginal federal estate tax rate can effectively range from 37% to a high of 55% for estates valued under \$10 million. And while an estate plan may not be able to completely eliminate taxes, it may help to reduce them.

The second reason is timing. The Internal Revenue Service (IRS) expects federal estate taxes to be paid in cash within nine months of the decedent's death. Without careful estate planning, this deadline could force your beneficiaries to sell property at an inopportune time.

Wills

There are a variety of tools that can be used to construct an estate plan, including wills, life insurance, and trusts. Of these, a carefully drafted will is often the most important aspect of a solid estate plan.

A will designates how and to whom your property will be distributed after your death. Without one, you give up your right to distribute your property as you wish and state law controls the disposition of your assets.

Unfortunately, people often think a "do-it-yourself" will is sufficient. However, estate, probate, and tax laws are complicated, and, in most cases, only a lawyer experienced in these areas knows how to use the legal terminology designed to protect you and your interests.

Once a will is constructed, it's important to periodically review the document to make sure it's current. If you move to a different state; change your life insurance policy; change partners; inherit or purchase property; or there is a change in tax laws, you may need to revise your will.

Life Insurance

Life insurance plays a very important role in providing financial security for your beneficiary. If you no longer need to personally control the policy or its value, a trust or other third party, like your partner, should be the owner of your life insurance policy.

With a trust or third party ownership, the benefit proceeds will not be counted as part of your estate for estate tax purposes and should be received by your beneficiaries, free of both income and estate taxes. If you

transfer ownership of the policy to a trust or third party within the three years preceding your death, the death benefit will be included for estate tax purposes.

Other important life insurance considerations include:

- How much life insurance coverage is appropriate; and

- What type of policy will give you the best protection at the best price.

After reviewing your specific situation, a Financial Advisor can help you make these decisions.

Trusts

Trusts are legal arrangements in which you, the grantor, place assets in trust for your beneficiaries. Trusts can be set up under the provisions of your will or established during your lifetime. The trusts most frequently used in estate planning are:

Revocable Living Trust

Established, controlled, and revocable by you, a living trust can be an efficient substitute for a will when transferring assets. This type of trust also provides for asset management in the event of your incapacity. For tax purposes, assets are included in your gross estate and therefore are subject to estate taxes.

Unified Credit or Bypass Trust

These trusts may be used pay income to the surviving partner until he or she dies, and can distribute principal to he or she or other named beneficiaries. They are usually created to take advantage of the \$675,000 applicable exclusion amount available (gradually increasing to \$1 million by 2006) in 2001 upon the death of the first partner. Current tax legislation may alter these amounts.

Charitable Remainder Trust

This type of trust is often used by individuals looking to help their favorite charities and at the same time convert a highly appreciated capital asset into an income-producing trust without incurring an immediate capital gains tax.

Developing a comprehensive estate plan that protects your assets and cares for your partner and friends, is one of the most important financial planning decisions you'll ever make. Contact your Financial Advisor for more information on how to transfer your wealth to the people you choose, in the manner you choose.

Dan has over 15 years experience in the financial services industry. He is currently Vice President of Investments and Associate Branch Manager with Prudential Securities. He works and has clients in Dade, Broward and Palm Beach Counties. He lives in Palm Beach with his partner of 18 years, Peter, and their yellow lab, Diva. He can be reached at 800-321-0013.

A Piece of the Rock For Gays and Lesbians

When it comes to financial planning, each person's situation is unique. Here at Prudential Securities, we recognize that your future needs may be too complex for the "cookie-cutter" advice offered by some other firms.

Prudential Securities has the tools to help you secure your future:

- Evaluating your current situation
- Investing for retirement
- Saving for a new home
- Protecting your partner after you're gone
- Debt reduction strategies
- Cash management
- Tax-deferred investments

It is my goal to recognize your individual needs, and provide appropriate advice tailored to your situation. I understand that ongoing financial planning is about more than advice. *It's about building a long-term relationship with a trusted advisor.*

CALL TODAY

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