The Estate Planning Edge

TISSER LAW GROUP

Plan Early, Plan Well™

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Team Tisser Foundation

Team Tisser Foundation ((TTF) is a non-profit corporation founded by Doron M. Tisser and his wife Laurie. TTF raises money for various charitable purposes and does not focus on any one charity or charitable purpose. The goal is to raise as much money as possible to "Help Make A Difference" by "Improving Life for Others." TTF has made donations to Memorial Sloan-Kettering Cancer Center, Leukemia & Lymphoma Society, Challenged Athletes Foundation, as well as charities helping people affected by natural disasters such as Hurricane Katrina and the Tsunamis. Since 2000, TTF has donated almost $175,000 to over 25 different charities. Friends and clients generally donate money to TTF to support Doron's participation in triathlons and marathons. If you would like more information about TTF, please contact Doron at doron@tisserlaw.com, or visit www.teamtisser.org

Quick Links

www.tisserlaw.com
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About Doron M. Tisser

Doron M. Tisser has specialized in estate and gift planning, tax planning, trust and probate administration, charitable giving, buy-sell agreements and related areas for over 27 years. Mr. Tisser is one of less than 100 attorneys in California who has been designated as both a Certified Specialist in Probate, Estate Planning and Trust Law, and as a Certified Specialist in Taxation Law by the State Bar of California Board of Legal Specialization. He was chosen by his peers as a Super Lawyer for 2009, 2010, and 2011 for Southern California, and enjoys an "a.v." rating by Martindale-Hubbell Law Directory, which is the highest possible rating and is based on ethical considerations and legal skills. Mr. Tisser has published over 65 articles and chapters in books on various estate and tax planning subjects and is a frequent speaker and lecturer at estate and tax planning seminars. Mr. Tisser competes in triathlons, including Ironman races, and raises money for charities through Team Tisser Foundation, a non-profit corporation he co-founded with his wife Laurie.

What's Happening

The IRS recently issued guidance on making an election out of estate tax for an estate of someone who died in 2010. While the guidance is useful, it still leaves open the question of what information will be required on the form and when the form will be issued so it can be completed and filed by the November 15, 2011 due date.

The maximum amount a person can own at death (outside of a family trust and joint tenancy) without going through probate is $100,000. Legislation has been passed that changes this amount to $150,000, effective January 1, 2012.

Steve Craig, Doron M. Tisser's close friend, recently passed away. To honor Steve's memory, Doron will be competing in the Malibu Half Marathon on November 13, 2011 and will be raising money to donate to the Leukemia & Lymphoma Society on Steve's behalf. If you would like to donate money in Steve's memory, please do so by sending your check to Team Tisser Foundation (TTF), a non-profit corporation founded by Doron and his wife Laurie. You can send the check to TTF at Doron's office address. Acknowledgement of your donation will be sent to Susan Laine, Steve's wife.

Doron M. Tisser has co-founded a San Fernando Valley networking group for graduates of Southwestern Law School. The next meeting will be October 13, 2011. If you or someone you know is a graduate of Southwestern Law School, either work or live in the San Fernando Valley and want to attend the next networking meeting, contact Laura Stein at laura@tisserlaw.com or call Laura at (818)226-9125. We have established a list-serve for members to stay in touch with each other.

If you would like Doron M. Tisser to speak to your group or organization about the new estate tax laws, trust administration or other estate planning subjects, please contact Laura Stein at laura@tisserlaw.com or call Laura at (818)226-9125.

COMMON LIFE INSURANCE MISTAKES

Life insurance plays a very big role in estate planning and has historically been used for three primary purposes.

1. Creating an estate by giving family members more money to live on after a family member dies.
2. Creating liquidity to enable the family to pay estate taxes owed at death.
3. Creating a method of funding a buy-sell agreement for a business or other assets co-owned with someone else.

As with all estate planning matters, it is important to review your life insurance to make sure that the amount of life insurance proceeds and type of life insurance policy continue to be correct. In addition, ownership and beneficiary designations should be reviewed to be sure they reflect changes in your estate plan.

Below are 10 of the most common mistakes made with respect to life insurance. If any of them apply to you, you should immediately look to correct those issues.

1. **FINANCIAL NEEDS ARE NOT ADEQUATELY ADDRESSED.** It used to be that a $1 million insurance policy might have been enough to take care of family needs in the event of either spouse's death. For many families today, that is not enough money if the family wants to live off the income generated without spending the principal.
2. **INSURED AS OWNER OF LIFE INSURANCE POLICY.** If the insured is the owner of a life insurance policy, the policy proceeds will be subject to estate taxes when the insured dies. If estate taxes are a concern, tax planning should be looked at to see how to minimize the estate taxes. For example, the use of an irrevocable life insurance trust may be appropriate.
3. **POLICIES HAVE NOT BEEN REVIEWED AFTER DIVORCE (OR OTHER LIFE EVENT).** People sometimes forget to remove an ex-spouse as beneficiary under a life insurance policy. They also sometimes forget that their divorce papers require them to use existing life insurance policies in certain ways, such as for children's education. Policies must be reviewed in these situations.
4. **THE INSURED'S ESTATE HAS BEEN NAMED BENEFICIARY.** If an estate is named as beneficiary, the life insurance proceeds will need to go through probate. If the policy has a named beneficiary, the death benefit can be paid without the hassle of probate.
5. **THE POLICY HAS NO NAMED CONTINGENT BENEFICIARIES.** If the primary beneficiary pre-deceases the insured, the next default beneficiary is usually the estate—and that means probate is necessary. If the primary beneficiary is an individual, make sure there is a contingent beneficiary named.
6. **MINORS OR OTHER IMPAIRED PERSONS HAVE BEEN NAMED BENEFICIARIES.** Do not name minors as beneficiaries of life insurance policies. An insurance company will not turn over life insurance proceeds to a minor or a minor's guardian without a court order protecting the insurance company. This takes time to get and is expensive. That can be avoided with proper planning, including establishing a trust for the minor and naming the trust as beneficiary of the life insurance proceeds.
7. **THE BENEFICIARY LANGUAGE IS WRONG OR UNCLEAR.** The beneficiaries named on a life insurance policy need to match how you want your estate to be distributed. For example, if you change your family trust to leave your assets 60% to your daughter and 40% to your son, you should change the beneficiary designation for your life insurance to match these percentages.
8. **THE WRONG OWNERSHIP WAS CHOSEN FOR THE PROBLEM TO BE SOLVED.** Most people choose to own their life insurance policies personally, which can be a mistake in business situations. For example, if the life insurance is intended to be used to fund a buy-sell agreement, the co-owner of the business should be the owner of the policy, not the insured.
9. **THE OWNERSHIP CHOSEN CREATES AN INCOME TAX PROBLEM.** Sometimes having a policy owned by a third party can create an unintended income tax problem.
10. **BUY-SELL FUNDING POLICIES HAVE NOT BEEN PROPERLY REVIEWED.** Business owners sometimes use life insurance to help make sure the business will continue after an owner's death. Even where a plan has been put in place, failure to update it can have disastrous consequences for the owners and their families. For example, if the amount of life insurance proceeds is less than the buy-out amount, the company will end up owing the difference and this can put a financial strain on the company or, worse, cause the termination of the company because of financial issues.

If you have not recently reviewed your insurance policies, especially in light of your existing estate plan, we strongly recommend that you do so in order to avoid the mistakes discussed above.

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