



*Protecting What You Value Most Through
Estate Planning and Asset Protection*

Providing Solutions That Secure and Enhance Your Wealth and Your Legacy

Everyone understands the benefits of having insurance to protect your assets from unanticipated events. Hazard and casualty insurance is necessary to provide protection from the risks of fire, floods and wind damage. Liability insurance is necessary to provide protection from the risks of auto accidents and personal injury. But what can you do to protect your assets from claims in excess of your insurance or from risks of lawsuits or from unexpected business liabilities or from an overabundance of tax consequences? Fortunately having an asset protection plan in place can help insulate you from these potentially significant risks.

We believe in providing you with effective solutions so that you can have confidence that your assets and your legacy are protected. An effective asset protection plan needs to be in place before a lawsuit or claim is made against you, and well in advance of your retirement or death, so it is important to take the step toward greater protection today.

Wild Felice & Pardo is a full-service, Fort Lauderdale, Florida based law firm with a specialty in asset protection. We utilize a combination of estate planning, real estate law, corporate formation, family law, and asset structuring to assure that our clients are protected from potential litigation, creditors, and any other threats that may be looming. A properly designed asset protection plan can accomplish many of your most important objectives:

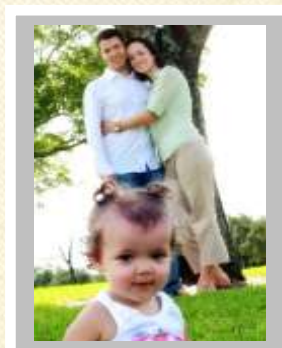
- Protection of family savings and investments from lawsuits and claims.
- Protection against inadequate or unavailable insurance coverage.
- Insulation of rental properties reducing your exposure to potential lawsuits.
- Protection of business assets and accounts receivable from potential claims.
- Elimination of probate.
- Reduction of estate taxes.



BACK TO SCHOOL EDITION

With school starting this month, it's a good time to start thinking about long-term planning for the protection of your children, both while you are alive and after you are gone. In this issue, we will discuss:

- The need for naming a guardian for your child in writing
- The advantages to having life insurance and to keeping the policy in an Irrevocable Life Insurance Trust
- Keeping a Health Care Surrogate on file for your college student
- Avoiding the Gift Tax while providing for your grandchildren's education
- Common misconceptions regarding estate planning



*Every American should have an
estate plan in place but the need for
comprehensive estate planning is
even greater when you have
children.*



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THE MODERN PARENT'S NEED FOR LIFE INSURANCE AND HOW IT SHOULD BE STRUCTURED

Should something happen to you or your spouse, your children could have a tremendous financial mess on their hands. In addition to the mortgage that still needs to be paid and the college education that still needs to be funded, your children may also have to pay the Federal government a hefty estate tax.

Estate taxes must be paid in cash within nine (9) months of death. For every dollar you pass over the first million, your estate will be taxed 55 cents. A million dollars may sound like a large amount of money but it is really quite small when you consider that it includes life insurance proceeds, the value of your home, stocks, bank accounts, retirement accounts, jewelry, paintings, and anything else that you may have had titled in your name at the time you died.

One approach to providing ready cash to pay these taxes and other expenses is through life insurance proceeds. The proceeds may be paid to the Federal government instead of your heirs having to liquidate assets in order to pay the estate tax bill. Life insurance provides an income tax free death benefit but the value of the benefit is added to the total of assets in the estate if not structured properly. This creates a never-ending cycle of taxes and insurance policies. The way to avoid this result, limit or eliminate your estate tax, and provide tax free money to your beneficiaries is to hold the life insurance policies in an Irrevocable Life Insurance Trust, or ILIT.



An ILIT combines the protection a trust with the liquidity of life insurance benefits. Using the \$13,000 per year gift tax exclusion, you can gift assets to the ILIT annually to cover the insurance premiums with no tax consequence. At your death, the proceeds are transferred to your heirs free of all income tax and all estate tax. This will provide the necessary liquidity your heirs will need to pay your funeral costs, estate taxes, probate fees and settlement costs.

Upon your death, the trustee of the ILIT will make appropriate distributions of cash proceeds to cover debts, taxes, and funeral expenses. The trustee could even purchase some or all of your business with the cash proceeds and professionally run the business until your children were old enough to take over. The trustee could also make appropriate loans to the spouse, children, and business you leave behind, removing that financial uncertainty and providing a home and an education for your children long after you are gone.

Did you know?

The Federal transfer or "gift" tax imposes a 45 percent tax on any non-marital transfer over \$13,000 per year to any one individual, or \$26,000 from any married couple to any one individual.

However, any transfer made for health or education purposes is exempt from the transfer tax. Paying for your grandchildren's college education is a great way to reduce your estate while avoiding the gift tax.

COLLEGE PLANNING CHECKLIST

If you are sending one or more children to college, you've got plenty to worry about. You have to get them moved in and situated in their dorm or apartment. You have to make sure they have enough money for food and books and maybe even a little for entertainment. You have to worry about roommates and new friends and possibly their first credit card. You've got plenty on your mind and while I don't want to give you any extra weight to carry, I do have to ask: what would happen if your child was in an accident or fell ill while away at school?

It is extremely important that your collegiate child have a Designation of Health Care Surrogate on file with your child's school and with the local hospital in the school's city. If your child is unable to make their own health care decisions due to incapacity, unconsciousness or even mere uncertainty the infirmary or hospital needs to know who has the authority to make health care decisions on their behalf and how to reach you in such a situation.



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TOP TEN ESTATE PLANNING MYTHS

Estate planning is a very confusing subject matter for most people. The following are a number of myths that we'd like to dispel. After all, education is the key.

1. **A living trust automatically avoids estate tax.**
A trust is an agreement between you and your trustee to carry out the instructions contained in the document. A trust will not help you avoid taxes unless specific terms are added for that purpose.
2. **If I don't have a will, the State of Florida will get everything.**
Without a will, property will be distributed to a person's next of kin in accordance with a statutory priority list. However, the statutory list rarely matches a person's desire for distribution of their property.
3. **Having a will avoids probate.**
A will must be admitted to probate for it to be carried out. The general purpose of probate is to transfer title to assets that a person owns at the time of death. Probate can be avoided by utilizing a series of trusts.
4. **A will covers all of my property.**
A will only covers property titled in a deceased person's name at the time of death. Certain property such as jointly held assets, life insurance, and retirement plans will pass to the surviving owner or beneficiary.
5. **I can complete my own estate plan.**
You cannot create an estate plan unless you understand when and how your property will be transferred. One simple mistake can waste time and money during the administration process. A professionally prepared estate plan will save more money than it costs.
6. **I don't need to plan because all of my property is owned jointly.**
Sometimes owning property jointly with another person is a good idea. However, most people do not understand the legal implications of joint ownership. See article on page 1.
7. **Estate planning is just a bunch of forms.**
The choice to use a specific estate planning tool depends on a variety of factors. No two estate plans are exactly alike.
8. **Estate planning is only for the wealthy.**
Many factors other than wealth affect the need for estate planning, such as: (1) caring for a minor or disabled child; (2) transferring ownership of property; (3) caring for a surviving spouse; (4) transferring business interests; (5) transferring ownership of property in another state; (6) charitable giving; (7) avoiding probate; (8) avoiding taxes; and (9) care of pets. There are an infinite amount of reasons to plan your estate.
9. **Living trusts are the only way to avoid probate.**
There are several ways to avoid probate, and a living trust is only one of them.
10. **I have plenty of time to plan.**
True, as long as you know when you will die or become incapacitated.



WHO WILL TAKE CARE OF YOUR CHILDREN IF SOMETHING HAPPENS TO YOU?

I was speaking with a woman recently who has three minor children and no estate plan in place. When her husband died a few years earlier, he didn't have an estate plan in place either.

She was lucky enough to avoid probate since all of their assets were title in both of their names. However, if she and her husband would have died together, her children would have lost nearly everything.

Worse than the loss of assets, these children would have had to go through a lengthy guardianship proceeding and may have ended up in foster care. When I mentioned this scenario to her she informed me that her best friend would care for the children if something should happen to her.

I asked her if she had a correctly executed will that allows for such appointed guardianship and she told me that she didn't. That is when I informed her that the Court doesn't care what her intentions are; it only cares about what the executed estate planning documents say. She's coming in to see me this week and we will be providing for the guardianship of her children the correct way.

Don't leave the future of your children to the whims of an unpredictable legal system. Put your wishes in writing and get your estate plan drafted now, while you are still able.

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