

## Triggering Events for an Estate & Financial Review March 15, 2017

Just as you have regular checkups with a doctor or inspections for your car, you need to take the same approach to maintaining your financial and estate plan. Estate and tax laws change regularly, and you have both federal and state laws to contend with, including the laws that may apply in the different states where your children and other beneficiaries live. An outdated estate plan can be one of the worst possible outcomes next to not having one at all.

In addition to outside factors, such as estate and tax legislation changes, major life changes that trigger a need for a comprehensive review include:

- Birth of a child
- Guardianship of other dependents
- Marriage
- Divorce
- Relocation
- Receipt of inheritances
- Business startup
- Major fluctuation in asset values

In the final piece of our series: Estate Planning Mistakes of the Rich & Famous, and How You Can Avoid Them, we share **Estate Planning Mistake #3: Failure to Update Your Plan**

When the actor Philip Seymour Hoffman died, he had last updated his will five years prior. After the will, which named his oldest son, was updated, he had subsequently fathered two daughters who were not named in the will. Hoffman left all of his assets to his longtime companion and the mother of his children, Marianne O'Donnell. Because Hoffman and O'Donnell never married, there was no automatic transfer of his estate to her as there would have been if they were married.

In addition to O'Donnell being on the hook for federal estate tax because there was no marital deduction, New York's estate laws—with a lower threshold (\$1 million compared to the federal estate tax threshold of \$5.34 million at the time of Hoffman's death)—applied to transfers to non-spouses. Consequently, the total estate taxes were \$15.1 million against a \$35 million estate.

### **Planning Takeaway**

Even though New York has laws that protect children from disinheritance if their parents neglect to update their wills, the law still has gray areas. Especially in a relationship involving children where the estate is not subject to marital legal protections, it is critically important to keep your estate plan up-to-date.

### **How Can I Keep My Estate Plan on Track?**

Your estate plan should give you and your loved ones peace of mind. Over the last three blogs, we have shared a few of the most essential planning items you need to keep your estate plan in line with your life and expectations. **Want to learn more? Contact us to receive our latest white paper: *5 Estate Planning Mistakes Made by the Rich & Famous and Strategies to Help Avoid Them!***

Not sure if your current plans are working to align these three critical areas of financial planning? Contact Cloud Investments, LLC at (256) 715-0094 to speak to one of our friendly and professional financial advisors who can help you keep your plan on track with the latest tax and estate law changes and proper titling of accounts and designated beneficiaries.

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