

Mullooly Asset Show: Episode 49 – Estate Planning Transcript

Tom Mullooly: In episode 49, we're going to cover something a little serious. We're going to talk about estate planning.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 49. We continue to plow away with these, because we get great questions from you, our viewers, so if you've got a question that you'd like answered, we'll probably feature it on a future video. So contact us with your questions or your problems, and look for it in an upcoming video.

Tim, what is the topic that we're going to be covering in episode 49?

Tim: Is estate planning really as important as everyone says it is?

Tom Mullooly: I think estate planning is important for everybody. There's a lot of misunderstanding when it comes to estate planning. The threshold for estate taxes right now is about five and a half million dollars per person if you pass away in 2017. The number changes from year to year, so a married couple, their first 11 million dollars between them, not going to be subject to taxes.

That is the federal estate tax. What a lot of people tend to overlook is that there's federal estate taxes, and then there's state estate taxes. Now, here in New Jersey, up until this year, the threshold for taxes was \$675,000, a lot lower than the federal number. So they're making changes here in New Jersey, but the main thing if you're watching this is you need to know where the threshold is in your particular state, and those numbers change all the time.

When we look at the big picture, there's only roughly two out of every 1,000 estates that wind up paying federal estate taxes. A lot of people say, "Well, why do I even have to bother with an estate plan if I'm not going to be anywhere near the threshold?" Because the main thing is if you don't have an estate plan, the state that you live in is going to divvy up your stuff. You want that? Do you have some things that you want to go to some friends or to family members or you want specific wishes carried out? You need to put together a plan, and it's not just a will. You need to put together a plan of how you want your assets disposed of. Even though you may fall far below the federal estate tax threshold, everyone should have an estate plan.

What I'm really stumped at is that ... Again. Back of the envelope kind of numbers. What we found is that about a third, one-third, out of the people that we talked to don't even have a will. That's insane. That's crazy. If you die without a will, you give up total control of where your assets go. Now, in a lot of situations, if you're a married couple and you don't have a will, in many states ... But not all. In many states, all the assets flow through to the surviving spouse. If you know anyone who has been through a divorce, it gets a little complicated. When there's children involved, every state is going to be different, so you need to check this stuff out.

The thing you've got to really think about is if you want the state to just split up your assets ... I think in the state of New York, if you die without a will, one-third goes to the surviving spouse. Two-thirds go to the kids. Every state is different. Every state updates their different policies from year to year, so make sure you know what's going on.

When it comes to a will, you need to know that you should have one, because let's face it, stuff happens. A will isn't final until you die or become incapacitated. So don't feel like, "I made a will back in 1994, and I think it's fine. Everything is okay." You really should update that, and you can make changes to your will as many times as you want, up until the time you pass away or become incapacitated, so don't hesitate to do this. For goodness sakes, you can do it online now for a couple of bucks. We're not recommending that. You really should speak to a legal professional who's going to help you put together a solid estate plan, including a will, and he may want to talk to you about trusts.

Do your homework on these things. We have tried to untangle many, many messes that have landed on our desk here at Mullooly Asset Management, only because there wasn't a couple of steps preparation taken ahead of time. So no one likes to talk about passing away. Everyone thinks they're going to live forever. I totally get that, but you need to plan these things out, just in case.

That's it for episode 49. We're going to do episode 50 coming up real soon. Maybe we'll feature your question. Thanks for watching.