

Intergenerational Estate Planning

“Intergenerational Estate Planning” is the preservation and distribution of family assets to your future generations. Extended life expectancies may require elders to plan not only for their own care and children, but also to consider providing for their grandchildren and even great-grandchildren. Assets can also be protected against the wasteful propensities of a child or other relative who is necessary for the elder’s care and financial management, but for whom the elder is concerned will be adversely influenced by another party, such as the child’s spouse.

There are several factors to be considered when developing an intergenerational estate plan. Taxes, creditors, nursing home care, bankruptcy, divorce and other financial problems in subsequent generations can all impact an estate plan. Poor planning can also jeopardize public benefits for family members with special needs in future generations. Each situation is different, and any plan should be tailored to your specific family needs.

A Family Trust, either “revocable” or “irrevocable”, provides parents with a level of control over the distribution of family funds to succeeding generations. It can also provide significant tax planning advantages and protections from long-term medical expenses. There are planning techniques that minimize the estate tax burden if an estate exceeds the current state and federal tax exemptions.

A revocable trust can allow a family to avoid probate and maximize inheritances. It is flexible because it allows the grantor to maintain control, and can be amended at any time. One type of revocable trust for tax planning is known as the “credit shelter trust.” This trust distributes income and can distribute principal to the surviving spouse, but also protects the grantor’s estate tax exemptions when the property is eventually distributed to future generations.

Individuals can use irrevocable trusts to remove assets from their estate, thus lowering their estate taxes and providing long term care eligibility planning. These trusts can also pass assets to their family while protecting them from creditors. One type of irrevocable trust provides lifetime income to the grantor and spouse, and another removes the value of a life insurance policy from the grantor’s and surviving spouse’s estates while providing support to the spouse and children.

A Family Limited Partnership or a Family Limited Liability Company is another planning technique that passes a family’s assets, a business or income producing real estate, for example, to the children while reducing the owner’s estate tax. Other sophisticated trusts can provide substantial current tax saving benefits to individuals and couples who have charitable intentions.

Certain types of estate planning will also prepare for possible long term nursing home care. Medicaid eligibility can play a major role in such a plan, but these regulations are entirely different than tax law, differ from state to state, and need to be scrutinized accordingly. Intergenerational Estate Planning can be essential to providing for your family’s future. It is never too early to protect yourself, as well as prepare for their health and happiness.