Have You Forgotten Something?
Don’t Overlook These Assets When Planning Your Estate
By J. William (Bill) Zook, Jr.

One benefit of a good estate plan is that it’s comprehensive. Everything you have and every objective you want to accomplish is taken into account. All such considerations are reflected in the resulting plan – which is then implemented.

As part of the process, your lawyer will help you take stock of the various kinds of property you own or have an interest in. Typically, you are either provided with a detailed checklist or guided through an exercise prompting you to identify all your assets.

Once you’ve developed your inventory, you may notice it features one or more things of significant value you might not otherwise have thought to include in your planning. Examples include Individual Retirement Accounts (IRAs) and qualified retirement plan accounts such as 401(k)s, old life insurance policies and annuity contracts, savings bonds, or perhaps certain items of so-called tangible personal property, such as a long-neglected coin or stamp collection.

It's true that you may end up using, selling, or giving away some of these during your lifetime. Yet, if you don’t have a disposition in mind for them (and may not have remembered you even owned them), they can constitute “found wealth.”

Moreover, if among your objectives is providing for philanthropic organizations once your life has ended, drawing on such “forgotten assets” to make charitable gifts through your estate can be both personally satisfying and tax efficient. Your options depend on the particular asset in question.

Understandably, your primary objective for IRAs and qualified retirement plans will be to have them continue to be available as an income source in your later years, regardless of how long you live. Often, however, some value will remain upon death. Because most, if not all, of the dollars involved will never have been taxed, leaving the money to a family member or other individual (aside from a surviving spouse) will usually result in that person having to pay income tax on what they receive when they receive it.

With these assets, however, that tax burden can be avoided when they’re left to a charitable organization upon death. The same is true for annuity contracts and savings bonds.

By contrast, proceeds from a life insurance policy escape income taxation no matter who the beneficiary is. Nevertheless, designating part or all of a policy’s death benefit for charity can make sense if the policy has served whatever non-charitable objectives you had in mind when you acquired it.

Indeed, if a policy’s purpose has been fulfilled while you’re alive, you may want to transfer ownership of the policy to a charitable organization now to receive an immediate income tax deduction. Note: With a few exceptions, this is seldom advisable for IRAs, qualified retirement plans, annuity contracts and savings bonds.

Potential income tax savings aside, all charitable gifts made upon death are completely deductible if your level of wealth is such that you need to be concerned with estate taxes. For 2017, Washington state assesses estate taxes on assets over $2.129 million, while the federal government taxes estates over $5.49 million.

In the case of tangible personal property, this means giving to charity upon death is more appealing than giving during life. When such items are given to charity before death, the tax benefits depend on the charity’s mission and on how the item’s cost basis relates to its fair market value (often established through an expensive formal appraisal). These factors can be ignored, however, when the item is given to charity upon death. The estate simply deducts the item’s full fair market value on the date of death. Period.

Once you figure out what you want to do with any forgotten assets you may stumble upon, it’s essential to document your wishes correctly. With some assets, your will or revocable living trust will contain the appropriate instructions. With others, all you'll need to do is complete a beneficiary designation form.

Of course, simply because you *can* do something, doesn’t mean you *should*. The goal of having a well-coordinated estate plan can be undermined if your lawyer is unaware of actions you’ve taken on your own or errors you may have made inadvertently in so doing. Even if your lawyer assigns you some tasks associated with making your estate plan a reality, you’ll likely also be asked to save copies of things such as beneficiary designation forms so they can be quickly double checked. After all, you wouldn’t want to forget anything!

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