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PRACTICING EXCLUSIVELY IN
ESTATE PLANNING · PROBATE · TRUST ADMINISTRATION
CONSERVATORSHIPS · TRUSTS & ESTATES LITIGATION

A LEGACY OF EFFICIENCY

Decisions you make today can determine whether your family is provided with a thoughtfully prepared, efficiently implemented and effectively administered estate plan that lays the groundwork for the smooth (and cost-effective) administration of your estate ... or a disorganized disaster that creates time-consuming and costly problems.



Three-Pronged Responsibilities

The duties of those who serve as your fiduciaries after you have passed away fall into a three-tiered hierarchy of responsibilities. While the precise manner in which these duties are carried out will depend on whether your estate plan is based on a Will or a Revocable Living Trust, tasks that must be handled include:

- Gathering and managing your assets
- Settling your financial liabilities: unpaid debts, tax obligations and estate administration costs
- Efficient administration and

distribution of your estate assets

This process will typically be smoother and more efficient if your designated fiduciaries have access to legal advice from an experienced estate planning attorney.

Gathering & Managing Assets

The top priority among the responsibilities that fall to your fiduciaries is the preservation and safeguarding of the assets that comprise your estate. This process involves conducting a careful inventory of your assets, protecting these assets and establishing an appropriate valuation for the assets at the time of your passing. It is important to advise your fiduciaries regarding

INSIDE

Want to make life easier and protect those you have appointed as fiduciaries in your estate planning documents? Our article on their duties and responsibilities is required reading to avoid problems, unnecessary costs and civil/criminal liability.

While many youngsters dream of searching for hidden treasure, the fantasy probably does not include searching *without a map*. If your fiduciaries are forced to conduct such a search when administering your estate, they may find the task equally difficult.

the location of your asset inventory and accompanying supporting documentation, such as account statements, title documents and certificates.

Typically, a fully-funded revocable living trust will make estate administration much easier, especially if you have maintained current records of the assets contained within the trust. Even if you have relied on a will instead of a revocable trust-based estate plan, you can save your fiduciaries considerable time and headaches by keeping accurate and current financial records that identify and provide values for your assets.

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Settling Financial Liabilities

After all of your assets have been gathered, inventoried and valued, the next step in the administration of your estate involves settling outstanding financial obligations owed by your estate. These may include items such as unpaid debts, tax liabilities and estate administration-related expenses. Just as with the process of gathering and protecting your assets, this stage of the administration process must be handled promptly.

Estate tax returns must be filed within nine months of death. Many post-mortem planning opportunities, such as disclaimers and certain elections (e.g., QTIP, alternate valuation, etc.), must be timely made or they are lost ... and with them the opportunities for significant estate tax savings.

Failure to comply with applicable legal deadlines can expose your fiduciaries to some rather unpleasant *personal* liabilities, including tax liabilities for your estate and lawsuits from creditors and disgruntled heirs.



Administration & Distribution

Your estate assets are to be distributed according to the instructions in your will or trust and your fiduciaries are responsible for adhering to those instructions, and for maintaining accurate records and receipts when making distributions to beneficiaries. The importance of this recordkeeping responsibility cannot be overstated because failure to maintain accurate records of income received, expenses paid and disbursements

to beneficiaries during the entire estate administration process can result in civil liability and even criminal penalties in certain situations.

The Final Word

The duties that fall upon a fiduciary can be complicated. The weight of these duties should be carefully considered when selecting your fiduciaries, or when deciding whether to accept responsibility to serve as a fiduciary.



Ask Yourself ...

These Questions Regarding "A Legacy of Efficiency."

- | | | | |
|--|-----|----|----------|
| 1. Have I thoughtfully drafted, thoroughly implemented and carefully maintained my estate plan, so my appointed fiduciaries can smoothly administer my estate after death? | Yes | No | Not Sure |
| 2. Have I created and maintained an up-to-date inventory of my assets to help ease the <i>Gathering and Management</i> burden for my appointed fiduciaries? | Yes | No | Not Sure |
| 3. Have I prepared my appointed fiduciaries for their responsibilities to pay my debts, taxes and expenses in a timely manner and they are aware of their potential personal liability for failing to do so? | Yes | No | Not Sure |
| 4. Have I prepared my appointed fiduciaries for their responsibility to distribute my estate to the beneficiaries I have chosen, as provided in my estate plan? | Yes | No | Not Sure |
| 5. Have I prepared my appointed fiduciaries for their responsibility to accurately account for all income, expenses and disbursements throughout each phase of estate administration? | Yes | No | Not Sure |

SEARCHING WITHOUT A MAP

Can you identify all of your assets and determine their value? Have you prepared an accurate inventory of these assets, and is that inventory preserved in either a written or digital format? If someone had to locate this inventory and valuation information, could they do so or would it be the equivalent of trying to locate hidden treasure without a map?

Unintended Scenario

Responsible people meet with legal counsel and prepare comprehensive estate plans. Their plans may even include cutting edge techniques implemented through proven legal instruments. Then, an injury or illness strikes and they become incapacitated. Eventually, they die. Sometime thereafter, the successor decision-makers appointed in the legal instruments meet with the legal counsel who prepared the estate plans. Too frequently, they make a shocking discovery: there is little, if any, information available regarding the property they are now legally required to identify, locate and value. They are adventurers on a quest with a map that is missing huge sections.

Misconceptions

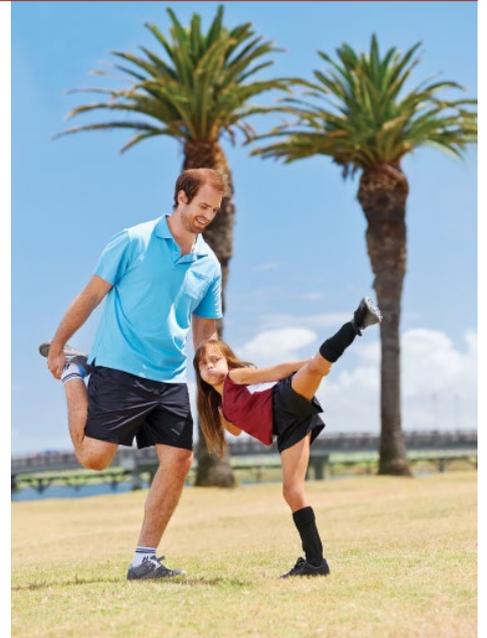
The fundamental problem is a misconception many have about what constitutes an estate plan. There are many that presume an estate plan amounts to drafting and signing legal documents. Nothing could be further from the truth. In fact, signing legal instruments without identifying, locating and valuing the property is like signing documents to open a bank account but leaving the money tucked under your mattress. Although you have a bank account where your money can be safely guarded and accumulate interest, it does no good because you have not

taken the critical step of making a deposit.

An Ounce of Prevention

While your designated fiduciaries may be able to locate and value your assets, you are better equipped to handle these tasks. After all, you likely are identified as the owner on any deed, title certificate or account regarding each asset you own. The process of identifying and determining the value of these assets will be aided by the fact you receive tax bills, account balance statements and similar documents that provide a reminder of the assets you own along with information regarding their current value. These documents and an inventory that includes estimated values should be kept and maintained with your estate planning documents.

There are some assets that are hard to value, such as heirlooms, antiques and collectables. In these instances, a professional appraisal is essential to establish their value



for estate distribution and death tax planning.

Carrying Plans into Actions

Even the most careful estate planning is only effective if you take action to implement the plan. When it comes to avoiding an unpleasant treasure hunt for your loved ones, maintaining accurate records is essential to the success or failure of your estate plan. And do not forget to communicate this information to your successor decision-makers.

POCKET PROTECTORS

Tips to help you protect your pocket!

Preserving Cyber Assets in the Real World

If you maintain Facebook accounts, online hosted photo services and other digital assets, consider asking your legal counsel to include a Virtual Asset Instruction Letter (VAIL) as part of your estate plan. This letter can ease the burden on the family, friends or professionals you appoint as fiduciaries by assisting them in identifying and managing your digital assets in the event of your incapacity or death. A VAIL can provide the person you designate with a list of web addresses, along with login information like passwords and user names. When carefully drafted, a VAIL document also can provide guidance about management and disposition of your online assets.

Many people overlook digital assets despite their growing influence and presence. These virtual assets may include valuable intellectual property, irreplaceable photos, rare collectible documents, client lists and other assets with a quantifiable economic value. Because these assets may have economic and/or sentimental value, they should be included in your estate plan.



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**Drucker Law Offices, A Professional Corporation
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Drucker Law Offices is a full service trusts and estates law firm with its principal offices located in Beverly Hills, California. We practice exclusively in the areas of estate planning, probate administration, trust administration, conservatorships and trusts and estates litigation. Our attorneys bring a sophisticated level of understanding to these complex and technical areas of the law.

Joelle Drucker and Michelle Correll, the firm's attorneys, have extensive experience practicing in large national law firms, but both have chosen to use their skills and experience in a way that allows them the ability to place a greater emphasis on the needs of their clients with a higher level of personal service. We strive for solutions that are practical and cost effective. The foundation and fundamental values of Drucker Law Offices are based on a firm belief in building and maintaining personal long-term relationships with our clients.

For additional information about our law firm, please visit our website at www.druckerlaw.com. If you would like a friend or client to receive our newsletter, please call our office at 310.285.5375 and provide us with their name and e-mail address. Also, please visit and subscribe to our law blog, Practical Trusts and Estates Law Tips Blog, at www.druckerlaw.com/practical-trusts-and-estates-tips-blog/ for insight and commentary on current developments in estate planning, estate tax law, and post-mortem administration that may be helpful to you and your loved ones.