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in this issue:

The Role of Estate Executor

When you write a will, you have the opportunity to appoint an **executor** for your estate. An executor is entrusted first with the responsibility to protect the deceased's property until all debts and taxes have been paid, and then to ensure that the remaining assets are transferred according to the will. This responsibility is both an honor and a burden. While the law does not require that an executor be a legal or financial expert, the job may require honesty, impartiality, and diligence. Executors have a number of duties, the complexity of which depends upon the deceased's financial and personal circumstances.

Specific duties of the executor include the following:

- Determining what the individual owns
- Paying any bills and claims against the estate, including funeral costs
- Paying all estate and inheritance taxes
- Collecting any money due to the estate
- Handling other estate assets, such as insurance or trusts
- Overseeing the investment of assets in the estate
- Distributing assets and property according to the will
- Settling the estate with the probate court, if required.

Determining Estate Assets

As a part of his or her duties, the executor first needs to determine what assets are in the estate, such as property, pensions, savings, benefits from employers, and insurance proceeds. To help facilitate this process, a letter of instruction and/or a list of assets may be included with the will. In the absence of such instructions, it is the executor's job to explore all available channels to locate all distributable assets.

Some assets, such as art collections, real estate, and furniture or household goods, may then need to be valued. The executor may hire appraisers to assess the value of such items. Once valued, the executor is responsible for distributing property to the heirs. Property can pass directly or it may be sold, and the proceeds divided among the heirs.

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Help Protect Your Earning Power with Disability Income Insurance

The possibility of sustaining a long-term disability from an accident or illness is something most of us would rather not dwell on. But, there is a way to help protect yourself and your family should you lose your ability to earn an income. **Disability income insurance** can play a key role in your overall financial plan and provide a benefit to help replace a portion of your income in the event you become too sick or injured to work.

Evaluating Your Needs

While most people understand the necessity and value of **life insurance**, many may overlook the valuable role disability income insurance can play in maintaining financial independence. How would you meet your everyday expenses if an injury or illness prevented you from working? For most people, Social Security Disability benefits cannot be solely relied upon to replace lost wages. You must meet very specific criteria to qualify for disability benefits, and it is often necessary to wait several months for payments to begin. Also, Social Security benefits may not be sufficient to maintain your current standard of living.

As an alternative, you could self-insure. However, even if you save 10% of your salary each year, one year of disability could deplete many years of savings. Or, perhaps your employer provides a **salary continuance plan**. In general, employer-sponsored plans are limited in scope and duration, and coverage is not portable upon termination of employment (except in certain executive disability policies). Workers compensation may be an option in some cases, but only covers injuries that occurred on the job. Eligibility and benefits vary by state. The bottom line is that losing your ability to earn an income may make it difficult to make ends meet.

Types of Coverage

Depending on the terms of your policy, disability income insurance provides a benefit to replace a percentage of your income, in the event of a qualifying disability. The cost of coverage is based on such factors as your occupational risk level, age, medical history, and the scope of coverage you wish to purchase. Individual disability income insurance requires an application process and is subject to underwriting approval.

If your employer has a salary continuance plan, ask about the dollar amount of coverage, waiting period, and duration of payments, so that you can coordinate your personal coverage with your employer-provided benefits.

When examining the provisions outlined in a potential disability income insurance policy, remember to review the following:

- **Definition of total disability.** Does the policy provide coverage in the event that you cannot perform the duties of your *own occupation* or the duties of *any occupation*? A policy that refers to your "own occupation" generally pays benefits if you cannot return to work in your field, or if you return to work in a lower-paying job or a job in another occupation. A policy that refers to "any occupation" generally pays benefits only if you are unable to perform any job: your own job, a lower-paying job, or a job in a new occupation.
- **Length of benefits period.** Depending on your choice of coverage, the policy may pay benefits until you reach age 65, the age at which many individuals choose to enter retirement.
- **Waiting period.** Waiting periods (also called elimination periods) prior to receiving benefits are typically between 90 and 180 days, depending on your policy. While a shorter waiting period requires a higher premium, a longer waiting period may mean more out-of-pocket costs before benefits begin. The waiting period is determined when a policy is issued.
- **A noncancelable clause.** With a noncancelable clause, the insurance company cannot cancel or change your policy or increase the premiums before you reach age 65, provided the premiums continue to be paid.
- **Residual disability benefits.** With this rider, the policy pays benefits if you return to work while you are disabled and earn less (usually at least 20%) than your pre-disability income as a direct result of your disability.
- **Future insurability.** This rider allows for the purchase of additional coverage in the future without regard to medical insurability.

It is important to note that there may be an additional premium for adding any **riders**.

Disability income insurance can help protect your greatest asset—your ability to earn an income. Be sure to consult with a qualified insurance professional to determine an appropriate amount of coverage for your situation.

Charitable Giving: Good for Your Heart and Your 1040

It may be better to give than to receive, but it may be even better to give and see your generosity rewarded. Charitable giving can play a valuable role in your financial and tax strategies. A well-planned gift to charity could provide an income tax deduction and a reduction of estate taxes. Your donation could also help you maintain financial security, exercise control over assets both during your lifetime and after death, as well as provide for your heirs in the manner you choose.

In order to accomplish all of these objectives, you need to develop a plan tailored to your individual circumstances. The following strategies can be used to create a giving plan that is both beneficial and appropriate for you.

When planned properly, **gifts of appreciated property** to charity may allow you to avoid the capital gains tax you would have owed upon the sale of the asset and receive an income tax deduction, usually worth the **fair market value (FMV)** of the property. Also, by removing that asset from your estate, you may reduce your potential estate tax burden.

If you wish to make a gift of property to a charity but also retain some control over it, a **Charitable Remainder Trust (CRT)** may be an appropriate vehicle. A CRT is most effective when funded by an appreciating asset, such as stock in a family-owned business or real estate. After transferring the property to the trust, no income tax is imposed on income remaining in the trust, and you may take a current income tax deduction based on the future value when it is transferred to the charity. By removing the remaining value of the asset from your estate, you may reduce your potential estate tax liability. In short, you obtain the tax benefits of giving while postponing receipt of the gift by the charity.

If you wish to give to a charity without giving the asset away permanently, consider a **Charitable Lead Trust (CLT)**. Through a CLT, you essentially give the charity the use of an asset and the right to any income generated for a predetermined time. After the specified time has lapsed, the asset can revert to you or be given to whomever you choose. Appropriate assets might be income-producing stocks and bonds, your rare book collection, or a painting that you transfer to a museum for a certain length of time. You may receive a current income tax deduction for the value given to charity; however, the trust pays income tax on its income. If a CLT is created upon your death, estate tax liability may be reduced.

Early tax planning can help you make the most of your charitable giving opportunities and allow you to take advantage of additional benefits. Be sure to consult your team of qualified tax, legal, and financial professionals for specific guidance.

Mortgages: Shorter Is Not Always Better

In recent years, the 15-year mortgage has gained in popularity for many homebuyers. But, a 15-year mortgage may not always be the *best* choice, particularly for those buying their first home. Deciding you want a 15-year mortgage before you have decided on the place you want to buy can limit your buying power. You may not qualify to buy as "much" house with a 15-year mortgage as you can with a 30-year mortgage loan. And, even though the interest rate may be lower for the 15-year loan, the payments will be higher. For many first-time homebuyers, it may make more sense to take out a 30-year mortgage and make additional mortgage payments when possible. That way, the homeowner is not obligated to pay a higher mortgage amount and can choose to do so only when he or she sees fit.

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A Few Finer Points

Is it valid? It is the executor's duty to notify all creditors, anyone named in the will, and anyone else who stands to inherit part of the estate. All potential beneficiaries then have a chance to protest if they believe the will is invalid. In most states, a surviving spouse is allowed to challenge a will if he or she is awarded less than a certain percentage of the estate. If there are no protestations, the probate court then issues "letters testamentary," documents that empower the executor to carry out the required duties.

What are the formalities? The executor transfers the decedent's bank accounts into estate accounts, and other assets can be transferred from the decedent's name to the executor's name. A "will construction proceeding" may be required if all parties agree that a will is valid, but disagree upon its meaning.

What about insurance? Insurance benefits are generally paid promptly once an insurance claim form with the original policy and a copy of the death certificate is submitted to the insurer.

What about bills? It is important that all bills are paid before the distribution of any assets begins. The executor needs to keep accurate records of joint property, even if it escapes probate by passing directly to the other owner, because all property, regardless of ownership, affects estate tax bills.

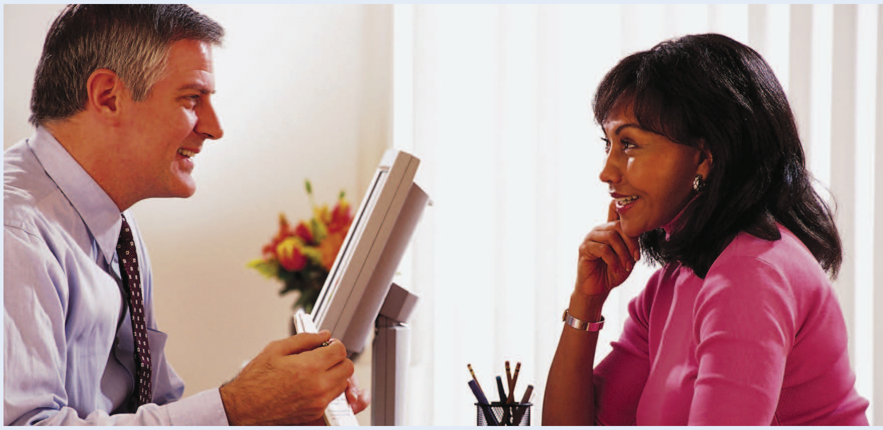
What about liability? The executor generally works with the lawyer for the estate until the estate is settled. Until that time, however, the executor is responsible for keeping the estate in order, protecting assets, and investing the estate's funds prudently. If these responsibilities are not upheld, he or she may be liable to the beneficiaries.

Alternate or Successor Executor

For complicated estates, the probate process may take years. Therefore, you may wish to appoint an alternate or "successor" executor in case the original executor is unable or unwilling to serve. In a family with children from more than one marriage, an individual may choose to designate co-executors. Should administration of the estate become deadlocked among co-executors, it may be necessary to enlist the assistance of a third party advisor, such as a professional accountant.

Make an Informed Choice

Now that you are aware of an executor's duties, you can make an informed choice about an executor for your estate. Choose an individual whom you trust to help ensure that your final wishes are fulfilled and your family benefits from your years of hard work. Once your decision has been made, be sure to work closely with your designated executor, so that he or she can fully understand and appreciate your wishes.



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