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Updating Your Estate Plan When Your Finances Change

In the recent economic downturn, many homes have lost considerable value and stock portfolios have plummeted. If this is the case for you, do you need to change your will? What if your income and assets have *increased* significantly? If your finances have changed markedly since you wrote your will, you should check your estate plan to see if you need to make any changes.

If your will or estate plan divides your estate into percentages for beneficiaries, then changes in value won't affect how your estate is distributed. However, if you include specific bequests in your will, a fall or rise in your estate could have consequences. For example, if your estate plan gives \$50,000 to your favorite charity and the rest of your estate to your children, a reduction in the value of your estate could mean your children won't get as much as you intended.

A change in value of assets could also affect your estate plan if you intended to treat your children equally by giving them assets of equal value. For example, suppose your will gives your house worth \$250,000 to your daughter and your stock worth \$250,000 to your son. If the value of either the house or the stock portfolio has increased or decreased significantly in value, your children will no longer receive equal gifts.

It is also important to update your estate plan if the overall nature of your assets has changed. For example, if you sold the stock and bought real estate instead, this will affect the distributions to your children.

In addition, if your estate has significantly increased in value, it is important to reassess whether your estate will be subject to estate taxes. In 2008, estates worth more than \$2 million were subject to federal estate taxes. In 2009, estates subject to federal taxes must be worth more than \$3.5 million. After that, it isn't clear what the estate tax will be, so it is important to be prepared for any eventuality.

Economic changes are only one circumstance that may have occurred and now requires revision of your estate plan to accomplish your goals. **For help in reviewing and revising your estate plan, or for our free Estate Planning Highlights guide, contact Richard Courtney at 866-ELDERLAW (353-3752).**