

Estate planning in an uncertain economy

BY BERNARD A. KROOKS

How can you plan for your financial future given today's unstable economy? Recent college graduates and their parents alike are facing unemployment. Multi-generation households are on the rise as families struggle to contain costs, and decimated investment portfolios and 401(k)s are being cashed in to cover daily living expenses. The stress is playing havoc with marriages, siblings and parent-child relationships.

Faced with uncertainty, it's more important than ever to take stock, make assumptions and develop an estate plan designed to achieve your objectives. Without a blueprint, you're trusting to luck and will almost certainly end up wasting money.

Enduring goals, unavoidable needs

Despite the financial hit most families have experienced, there are important goals they're probably unwilling to sacrifice and which should be factored into an estate plan.

Parents and grandparents still want to help pay for college, the costs of which have spiraled. For most families, that requires a long-term savings and investment plan, timed to coincide with children's high school graduations.

Although many Americans are intending to work longer, with 70 possibly becoming the new 65, they will eventually retire. To prepare for those years, they should make assumptions now concerning life span and lifestyle in order to estimate how much money they'll need to support themselves.

Baby boomers, one of history's largest generations, are aging at a time when modern medicine is prolonging life. The cost of longevity, though, is often deteriorating health. Failing to plan for the possibility that long-term care will be required at some point is gambling with the future.

In New York state, it can cost in excess of \$200,000 annually to live in a nursing home, and Medicare does not cover most of the expense. The recent health care overhaul, in fact, did little to address a looming crisis in long-term care for seniors. This problem will, at some point, become a public policy dilemma.

In the meantime, families must do contingency planning or risk losing life savings that are already being stretched. That may mean buying long-term care insurance, structuring an estate in order to qualify for Medicaid or making investments that will pay for long-term care or co-payments for acute medical problems.

Less money, changing attitudes

Most people have less money today. Struggling with their own finances, many seniors have smaller estates to leave to their

offspring. At the same time, adult children are counting on their inheritances more than ever.

The reality is that many individuals would be wise to base their own retirement planning on the assumption that they will have no inheritance to fall back on, that any assets transferred from their parents will be a windfall.

All this insecurity is changing attitudes. Estate planning usually involves some will-

ingness to give up control of assets in order to achieve tax savings or eligibility for government benefits. In the current climate, though, even individuals who appear financially secure on paper may be reluctant to commit to the creation of an irrevocable trust or to a gifting plan aimed at Medicaid eligibility for long-term care.

It's also important to establish a health care proxy and power of attorney to ensure that your intentions are carried out if you

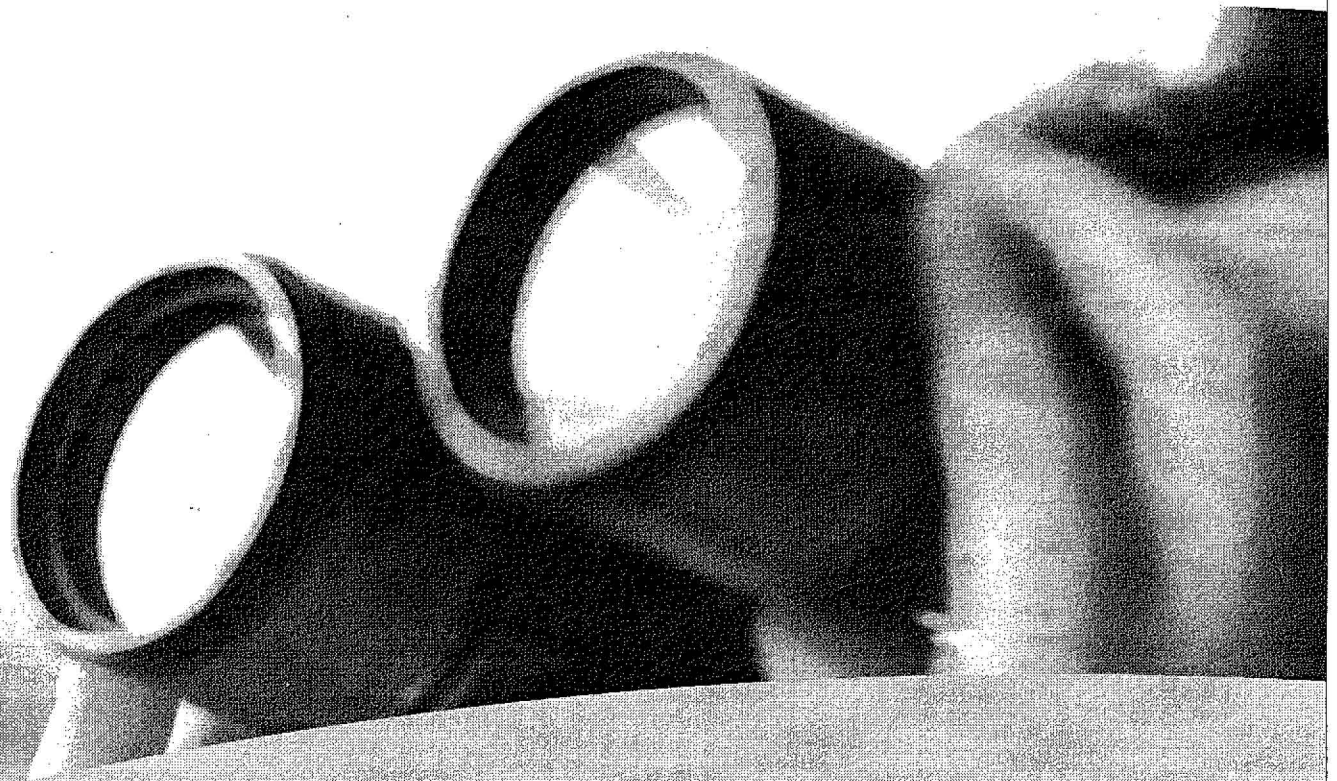
become incapacitated.

While your estate plan may require adjustment as conditions change, without this foundation, you and your family are likely to be needlessly buffeted by further shifts in the economy.

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