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BUSINESS AND TAX PLANNING IDEAS & TIPS — AUGUST 2015

Want Less Stress? Get Your Estate Plan in Order

(Time.com) Preparing the right paperwork will help ensure that your wishes are followed and may save your heirs a bundle of money.

The difference between having your files organized or not is about more than just stress; leave behind a mess and it can delay inheritors' access to funds and cost a bundle in legal fees.

"It could be six months or longer if you don't have the paperwork in order, and … your family is in the dark, not knowing things, jumping through hoops. It's not a fun existence," says Howard Krooks, president of the National Academy of Elder Law Attorneys.

Taking care of the necessary documents is a hallmark of good parenting, he adds, rather bluntly: "More than any kind of monetary legacy, if you really love them, you'd do this."

HOW TO GET IT DONE

Compile a list of the financial information your heirs will need upon your death: wills, trust information, investment accounts, legal contacts, etc. You can keep this information in an electronic file – in one master document or several attachments – to serve as a road map to find all the physical paperwork.

Or, just pull out a cardboard box and start piling up the papers.

You have to do more than just gather the information, though. You have to tell your loved ones you have done it and tell them where to find it. You can either hand over the file immediately or keep it in a safe place (away from the prying eyes of caregivers and potential scammers).

A safe deposit box, by the way, is not a good place to keep these papers because it's too hard to access when needed.

THE WILL

Top of the list is a copy of your will, hopefully the most recent version, plus contact details for the attorney who drew it up and any executor named. Also important are trust documents, if they exist, estate experts say.

While power of attorney and living will documents are crucial should you become incapacitated, they will not be useful after your death—your heirs will then be using a death certificate to obtain access to accounts.

The real power in assembling all these items is that it forces you to go through the process of specifying your wishes. Without them, your family would have to put your estate into probate, which is when the state determines the distribution of your assets. This can take up to a year and eat up about 5% of the estate.

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FINANCIAL ACCOUNTS

Your heirs will need to know all of your account information, down to your utility bills and your tax returns. You can either create a list or include copies of statements in the file, or just directions to where to find them. Also useful is a list of relatives to contact.

Knowing passwords for online accounts is not as important as naming another person on key accounts ahead of time. This way, if the family needs to make mortgage payments or pay any medical bills, they do not have to wait until the estate is settled.

In that same vein, make sure to sign another person up for a key to any safe deposit boxes or home safes. Include clear directions on how to access any other valuables that may be stashed elsewhere, so that it's not mistakenly thrown out.

SURVIVOR BENEFITS

Pensions and insurance plans have many different payout rules, so you need to leave behind detailed information about policies. Insurance information should extend beyond life insurance to car, home and boat insurance. It is also critical to include your Social Security benefit information.

Top Ten Tax Facts if You Sell Your Home

(Irs.gov) Do you know that if you sell your home and make a profit, the gain may not be taxable? That's just one key tax rule that you should know. Here are ten facts to keep in mind if you sell your home this year.

1. If you have a capital gain on the sale of your home, you may be able to exclude your gain from tax. This rule may apply if you owned and used it as your main home for at least two out of the five years before the date of sale.

2. There are exceptions to the ownership and use rules. Some exceptions apply to persons with a disability. Some apply to certain members of the military and certain government and Peace Corps workers.

3. The most gain you can exclude is $250,000. This limit is $500,000 for joint returns. The Net Investment Income Tax will not apply to the excluded gain.

4. If the gain is not taxable, you may not need to report the sale to the IRS on your tax return.

5. You must report the sale on your tax return if you can't exclude all or part of the gain. And you must report the sale if you choose not to claim the exclusion. That's also true if you get Form 1099-S, Proceeds From Real Estate Transactions.

6. Generally, you can exclude the gain from the sale of your main home only once every two years.

7. If you own more than one home, you may only exclude the gain on the sale of your main home. Your main home usually is the home that you live in most of the time.

8. If you claimed the first-time homebuyer credit when you bought the home, special rules apply to the sale.

9. If you sell your main home at a loss, you can't deduct it.

10. After you sell your home and move, be sure file a change of address. You can send the IRS a completed Form 8822, Change of Address, to do this.