
Law Office of Heidi Klippel

A Professional Law Corporation

An Estate Planning & Corporate Law Firm

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What is an estate plan?

A "comprehensive estate plan" includes a trust, will, durable power of attorney for management of property and personal affairs and an advance health care directive (also known as a living will). Estate plans enable you to do the following:

- **Plan for your incapacity.** Executing a durable power of attorney for management of property and personal affairs enables you, while you have capacity, to nominate individuals you trust to act on your behalf in the event of future incapacity (e.g., car accident, dementia, etc.). During your incapacity, which may be temporary or permanent, your attorney in fact will have several powers, including but not limited to, the power to file your federal and state income taxes, file a lawsuit on your behalf, inherit on your behalf, ensure your health care premiums are paid, fund your trust by titling non-trust assets into the name of your trust to avoid probate.
- **Nominate individuals to make your health care decisions when you are unable to make them.** Executing an advance health care directive, also known as a living will, enables you, while you have capacity, to nominate individuals you trust to act on your behalf to make your health care decisions. This document also enables you to specify certain health care wishes in advance (e.g., your burial preference (burial or cremation), anatomical gift preference, end of life care decisions, etc...)
- **Execute and fund a trust.** There are multiple reasons to execute a trust. Some of the reasons include, giving your successor trustee the power to manage and control your trust assets if you are incapacitated, probate avoidance, and estate tax avoidance. Probate is the judicially supervised process of a judge supervising the changing of title from your name to your beneficiary's name upon your death. Probate is typically a slow process; it can last up to two years to complete. Court fees alone are hundreds of dollars, and attorney fees are based on the gross value of your assets, which is typically much higher than they would be in a simple trust administration. Probate should always be avoided due to these unnecessary expenses.

WILLS

What happens if I don't have a will?

If you die without having a will in State of California, the State of California has devised a distribution scheme dictating the distribution of your assets. Priority of distribution typically is as follows:

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- Surviving spouse*
 - Children
 - Grand Children (great grand children, etc.)
 - Grandparents
 - Siblings
 - Nieces and nephews

The search continues through your family tree for a living heir and if no living relative is located, the State of California inherits 100% of your estate.

*Your surviving spouse may not be entitled to 100% of your assets. If you have children, they may be forced to share some assets with your children, and your children would control them at age 18.

If you die without a will, your assets will go through probate! (Remember, probate is unnecessary, time consuming, public and very expensive!)

What if I don't have a will and have step children?

If you are a stepparent with stepchildren and your spouse (your stepchildren's biological parent) dies first and then you die without a will, your stepchildren will be DISINHERITED. This is an honest but common mistake in California due to community property laws. You must have an estate plan if you are a blended family!

What happens if I have a will, but not a trust?

If you have a will, your assets will still go through probate! By having a will, you enjoy the privilege of telling the State of California the beneficiaries you intend to inherit your estate, but you DO NOT avoid probate. (Remember, probate is unnecessary, time consuming, public and very expensive!)

Guardians for minor children

If you have minor children, you need to nominate the guardians you would want to raise your minor children in the event you died unexpectedly. Your child's guardian should be someone with similar values, ethics, morals, and life experiences. You nominate your guardian choices in your will.

What is wrong with probate?

Probate is the judicially supervised process of changing title of your assets from your name to your beneficiary's name. Typical complaints regarding probate include:

Minor Beneficiaries. If any beneficiary is under the age of eighteen, their monies are held in an account and distributed to the minor outright on the minor's 18th birthday. (Would your life be different if you received a large sum of money on your 18th birthday? Would you have gone to college if you received one million dollars on your 18th birthday? Would you have started your own business if you received one million dollars on your 18th birthday?) Titling your assets in a trust avoids probate and enables you to choose the dates of distribution for minors (e.g., a distribution of 5% upon attainment of a bachelor degree from an accredited four year university or college or when the beneficiary reaches the age of 25, whichever occurs first, a distribution of 1/2 at age 30 and final distribution of the trust principal and interest outright at age 40).

Probate is Typically an Extremely Slow Process. There are only 3 probate judges for all of San Diego County. Probate typically takes nine months to two years to complete. If anyone contests your estate, it can be delayed for years. Titling your assets in the name of a trust avoids probate.

Probate is a Public Process. Anyone may pull your file and obtain private information about your loved ones, including their names, addresses, telephone and social security numbers, and your financial situation, including your assets and debts. This can leave your loved ones open to scams and fraud. For example, there are private companies in the business of contacting your loved ones, who are vulnerable and grieving, and telling them you were in the process of funding a life insurance policy before you died. They manipulate your loved one into funding this policy in honor of your memory! You can protect your loved ones and avoid this scam by avoiding probate.

Probate is VERY Expensive. Probate is expensive due to court fees and attorney fees. Attorney fees are determined based on the value of your assets. Attorney fees could be 4% or more of the market value of your assets. Even if your loved ones hire an attorney to help them administer your trust, it is still generally much less than a probate proceeding.

TRUST

What is a trust?

A trust is a document that is similar to a contract. You nominate someone you know and trust as your "successor trustee" who will manage and control your trust assets upon your incapacity and/or death.

Why are trusts beneficial to my loved ones?

Trust assets avoid probate! By titling your assets in the name of your trust, all trust assets avoid probate. Your loved ones need not lose their inheritance by paying unnecessary court costs, filing fees and attorney fees. The terms of the trust empower your successor trustee to pay and file your state and federal income taxes, any federal estate taxes, pay any and all creditor claims and debts owed by your estate, and distribute the remaining trust assets to your loved ones.

Minor children and/or Grandchildren. If you have minor children, you may distribute trust funds to them for their basic needs, e.g., health, education, maintenance and support, at any time regardless of their age. You may further provide at what ages you want your children to receive distributions of trust principal, e.g., 1/2 of their trust principal at age 25 and the balance and interest at age 30. Unlike probate, your children will not inherit at age 18.

Children and loved ones with special needs. If you have children or loved ones with special needs who are receiving state and/or federal subsidies, you may provide monies for them at your death by holding monies in a special trust for their benefit. The State of California and federal government automatically terminate state funding for special need recipients if that individual has more than a specific sum of money titled in their name at any given time (typically no more than \$2,000.00). A special needs trust enables your successor trustee to pay monies to that individual for expenses the state and/or federal subsidy do not provide for while enabling that individual to continue receiving state and/or federal aid.

Special children provisions. You may provide in death for your children and/or grandchildren what you would have provided them if you were living, e.g., special gifts such as high school and/or college graduation gifts, wedding gifts, a new car for college, a down payment on their first home, etc.

Pets. You may direct your successor trustee to distribute monies to a family member or friend to ensure your animals are taken care of when you die. The purpose of this distribution, is to pay for the animal's

basic expenses, including but not limited to food, grooming, veterinary care, dental care, etc., and most importantly, to ensure your animal is not euthanized unless medically necessary. If your family and friends are unable to care for your animals, you may direct your trustee to place your animals for adoption with a "no-kill" animal shelter.

Do I lose control of my assets by titling them in my trust?

If you fund a revocable trust with your assets, you retain control over those assets while you are alive and have capacity. This means while you are alive and have capacity, you are in charge of your trust assets (you may sell them, encumber them, give them away, acquire more assets, etc.). Your trust assets are still your personal assets. The only thing that has changed is legal title of your assets. Alternatively, if you title your assets into an irrevocable trust, you surrender ownership, control and management of those assets. Typically irrevocable trusts are funded for very large estates that will incur a federal estate tax.

DURABLE POWER OF ATTORNEY FOR FINANCES & PERSONAL AFFAIRS

What is a durable power of attorney for finances & personal affairs?

A durable power of attorney for management of property and personal affairs enables you, while you have capacity, to select individuals you know and trust to act on your behalf during any incapacity, regardless if your incapacity is temporary or permanent. Some of the powers included in this document are the powers to file your state and federal income taxes, file a lawsuit on your behalf, inherit on your behalf, title your assets in the name of your trust.

Why do I need a durable power of attorney for finances & personal affairs?

If you do not have a durable power of attorney for management of property and personal affairs, your loved ones would need to be court appointed to act on your behalf. A court appointed individual is called a conservator. A conservatorship is a public process so anyone will have access to your current mental health status. It can typically cost between \$6,000.00 to \$12,000.00.

ADVANCE HEALTH CARE DIRECTIVE

What is an advance health care directive or living will?

An advance health care directive, sometimes called a living will, enables you to choose individuals you know and trust to make your health care decisions when you are unable to make them. This is a loving document! By executing this document, you are easing your loved ones' burdens by specifying certain health care decisions, e.g., your burial preferences, anatomical gift preferences, life sustaining treatment, etc.

COMMON ESTATE PLANNING MISTAKES

Parents owning real property in common with their children to avoid estate planning. If you intend for your children to own your real property when you pass, your children should inherit your property through a will or trust and NOT own it in common with you while you are alive. This gives them more favorable tax treatment when it comes to realizing capital gains.

Assuming the people you have in mind will automatically get custody of your minor children. Parents with minor children need an estate plan to ensure guardians have been selected to care for minor children if mom and/or dad die suddenly. Having specific people named could give them priority over anybody else who may attempt to get guardianship through the court. Your estate plan will also allow you to name alternates if your first choice is unable or unwilling to care for your children.

Blended families not having an estate plan to avoid unintentional disinheritance of stepchildren. At a minimum, you and your spouse should have a will to ensure stepchildren are acknowledged to avoid disinheritance. Your surviving spouse can always revoke a will upon your death so a trust is preferable for maximum protection!

Thinking you are done just because you have a will. If the net value of your estate is \$150,000.00 or more and if you do not have a trust, your assets will go through probate! Your loved ones will lose substantial monies in court fees, court costs and attorney fees that could have been completely avoided if the property was titled in the name of a trust! Additionally, a will does not make provisions for your potential future incapacity like a power of attorney and healthcare directive do.

Not funding your trust. Your trust is only as valuable as the assets titled in the name of the trust. To avoid probate, you must title assets into the name of your trust. It is prudent to check title on all of your assets to ensure they are titled in your name as trustee of your trust.

Can I Pick A New Attorney to Update My Estate Plan?

Yes! You can have any other attorney review and amend your estate plan. You do not have to return to the original attorney who drafted the documents.

Other Considerations

Estate planning is one aspect of life planning. You should ensure you have a professional, competent, "team" reviewing your affairs, including but not limited to, a certified financial planner regarding your financial planning, a certified public accountant or tax attorney regarding your tax planning, an insurance broker regarding your insurance needs to ensure you have adequate insurance, and other core professionals. If you would like the contact information of professional "team members" our firm trusts and utilizes, please feel free to inquire. If you have other legal needs and would like the contact information for a competent attorney specializing in that area of law, please feel free to inquire. Our professional goal and dedication to you is to ensure you plan now so your loved ones do not pay later!

About The Law Office of Heidi Klippel

The Law Office of Heidi Klippel is located in La Jolla and focuses on all aspects of estate planning, corporate and family law. Our staff attorneys have comprehensive estate planning backgrounds and practice in the areas of both drafting estate planning documents and administering them. We offer assistance with drafting estate plans, administering trusts, probate matters, conservatorships and guardianships. For more information about our firm, please visit our website!

The information in this handout is for educational purposes only and is not intended to be construed as legal advice. You should consult with an estate planning attorney for individual legal advice.



NOTES

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HEIDI KLIPPEL

ESTATE PLANNING,
TRUSTS, PROBATE &
CORPORATE LAW

Heidi Klippel is a San Diego native. She received a scholarship from the William Randolph Hearst Foundation to attend the University of San Diego (USD), where she graduated magna cum laude with a Bachelor's in political science. Heidi was always a dedicated student and received various accolades for her scholastic achievement including a feature on the National Dean's List, the Phi Theta Kappa Society international scholastic honor award and the Kappa Gamma Pi National Honor Society award.

Knowing she wanted to be an attorney, Heidi began working in law offices at the age of fourteen. After graduating from USD, she went on to obtain her Juris Doctorate from California Western School of Law, graduating in the top third of her class. During her time as a law student, Heidi concentrated her law studies in the areas of estate planning, tax planning and corporate/business law.

After completing law school and passing the bar exam, Heidi worked as an associate attorney for approximately three years before she decided to open the Law Office of Heidi Klippel, and has been serving San Diego in the areas of estate planning and corporate law ever since. Heidi's firm is located in La Jolla, and offers comprehensive estate and trust services including trust creation, trust administration, probate, conservatorship and more. Additionally, the firm offers representation and counsel in the areas of corporate law, business planning and succession.

Heidi continually strives to be involved in the community by serving as an adjunct professor at San Diego Christian Heritage College, teaching undergraduate and adult learning courses in business law, presenting seminars at University of California, San Diego and Qualcomm, and even being featured on a local AM radio show.



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NATALIE ORTIZ

ESTATE PLANNING,
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Natalie E. Ortiz moved to San Diego to escape the harsh Midwestern winters. She graduated with a B.A. in Political Science from the University of Illinois, Urbana-Champaign and went on to complete some graduate coursework in Public Administration at DePaul University, but after moving to California decided that the law was her true calling.

She worked as an insurance agent while attending law school through Thomas Jefferson School of Law's part-time evening program. Throughout law school, Natalie had various internships, including one at the Law Office of Heidi Klippel. Because of her work in the insurance industry, she already knew that she enjoyed assisting individuals and families to protect their assets and secure their futures, so estate planning was the perfect fit. After graduating early from the part-time program and passing the California Bar Exam on the first try, she joined the Law Office of Heidi Klippel as an associate attorney.

Since becoming an attorney, Natalie has enjoyed participating in the Trusts & Estates Section and Forum for Emerging Lawyers through the San Diego County Bar Association.



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