Estate Planning Strategies: Real Estate Matters

Just Law

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Our Company

Just Law LLC, ("Just Law") is an asset protection law firm focused on business and legacy protection. At Just Law, the mission is to equip individuals with the legal tools and knowledge they need to thrive.

Anisha Murphy, Esq
Founder and Managing Attorney
Licensed in MN and MI

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Estate Planning Overview

What is Estate Planning? The process of organizing how your assets will be managed, administered, and distributed upon your death or if you become incapacitated.

Why It Matters

- Ensures your wishes are followed precisely
- Reduces potential tax burdens on your estate
- Helps avoid costly and time-consuming probate
- Minimizes administrative costs and family conflicts
- Provides financial security for your beneficiaries

Common Legal Tools For Estate Planning

Will & Trusts

Traditional wills, revocable and irrevocable living trusts to dictate asset distribution

Powers & Directives

Financial POA, Healthcare Directives, and Living Wills for incapacity planning

Property Structures

Beneficiary designations (TODD), joint tenancy, life estates, and LLCs for property management

Will

While a will is an essential foundation, it often works best when complemented by other estate planning tools.

Key Components

- Executor nomination - who administers your estate
- Guardian designation for minor children
- Specific bequests of personal property
- Residuary clause for remaining assets
- Testamentary trusts for complex distributions

Benefits

- Provides clear instructions on distribution of assets
- Allows naming of guardians for minor children
- Enables appointment of an executor to manage estate
- Covers personal property and non-real estate assets
- Can reduce family disputes with documented wishes

DOWNSIDE TO WILLS WHEN IT COMES TO REAL ESTATE MATTERS

A will can cover real estate, but it often creates problems. Property in a will usually goes through probate, which can be slow and costly. It may also cause delays for family members, disputes over ownership, and confusion with property in different states.

Probate Required

- A Will must go through probate, a court-supervised process
- Probate is time-consuming, costly, and public
- Delays transfer of real estate to heirs

Lack of Immediate Control

•Property cannot be sold, refinanced, or transferred until probate ends
•Creates difficulties for surviving family members
•Can delay urgent financial or property decisions

Challenges and Disputes

- Wills are easier to contest in court
- Disputes may tie up property in litigation
- Causes added stress and cost for heirs

Liens and Claims

- Real estate in probate remains subject to debts and liens
- Creditors may claim against the property
- Reduces value passed on to heirs

Trusts

A trust is often preferred in estate planning for real estate because it allows property to transfer directly to beneficiaries without going through probate, saving time and costs. Unlike a will, a trust keeps the details of your estate private and ensures a smooth transition of ownership if you become incapacitated. Trusts also provide flexibility to set conditions on how and when property is passed down, while offering opportunities for tax planning and asset protection.

Revocable Trusts

- A flexible trust you can change or cancel during your lifetime.
- It avoids probate and allows for smooth transfer of property
- Does not protect against creditors or reduce estate taxes.

Irrevocable Trusts

- A permanent trust that cannot be changed once created.
- It provides strong asset protection, potential tax benefits, and can help with long-term care or Medicaid planning.
- Will protect assets against creditors and potential judgments.

Wills vs Trusts

Wills

- **Ownership During Life:** Property stays in your name until death.
- **Transfer at Death:** Real estate passes to heirs only after probate is completed.
- **Probate Requirement:** Must go through probate court (can be time-consuming and costly).
- **Privacy:** Becomes public record during probate.
- **Management if Incapacitated:** No effect—court may need to appoint a guardian or conservator.
- **Flexibility:** Simple to create, but limited for ongoing control.
- **Cost:** Generally lower upfront cost.

Trusts

- **Ownership During Life:** Property is transferred into the trust while you're alive.
- **Transfer at Death:** Real estate transfers directly to beneficiaries without probate.
- **Probate Requirement:** Avoids probate entirely, saving time and money.
- **Privacy:** Remains private—terms of trust are not public.
- **Management if Incapacitated:** Successor trustee can immediately manage property without court.
- **Flexibility:** Allows for ongoing instructions (e.g., when/how beneficiaries inherit property).
- **Cost:** Higher upfront cost but often saves more in the long run.

BENEFICIARY DESIGNATIONS

Avoids Probate

Beneficiary designations let assets like life insurance, retirement accounts, and POD/TOD accounts transfer directly to named individuals at death, bypassing probate. This speeds up distribution, keeps it private, and avoids court costs or delays.

Simple Process

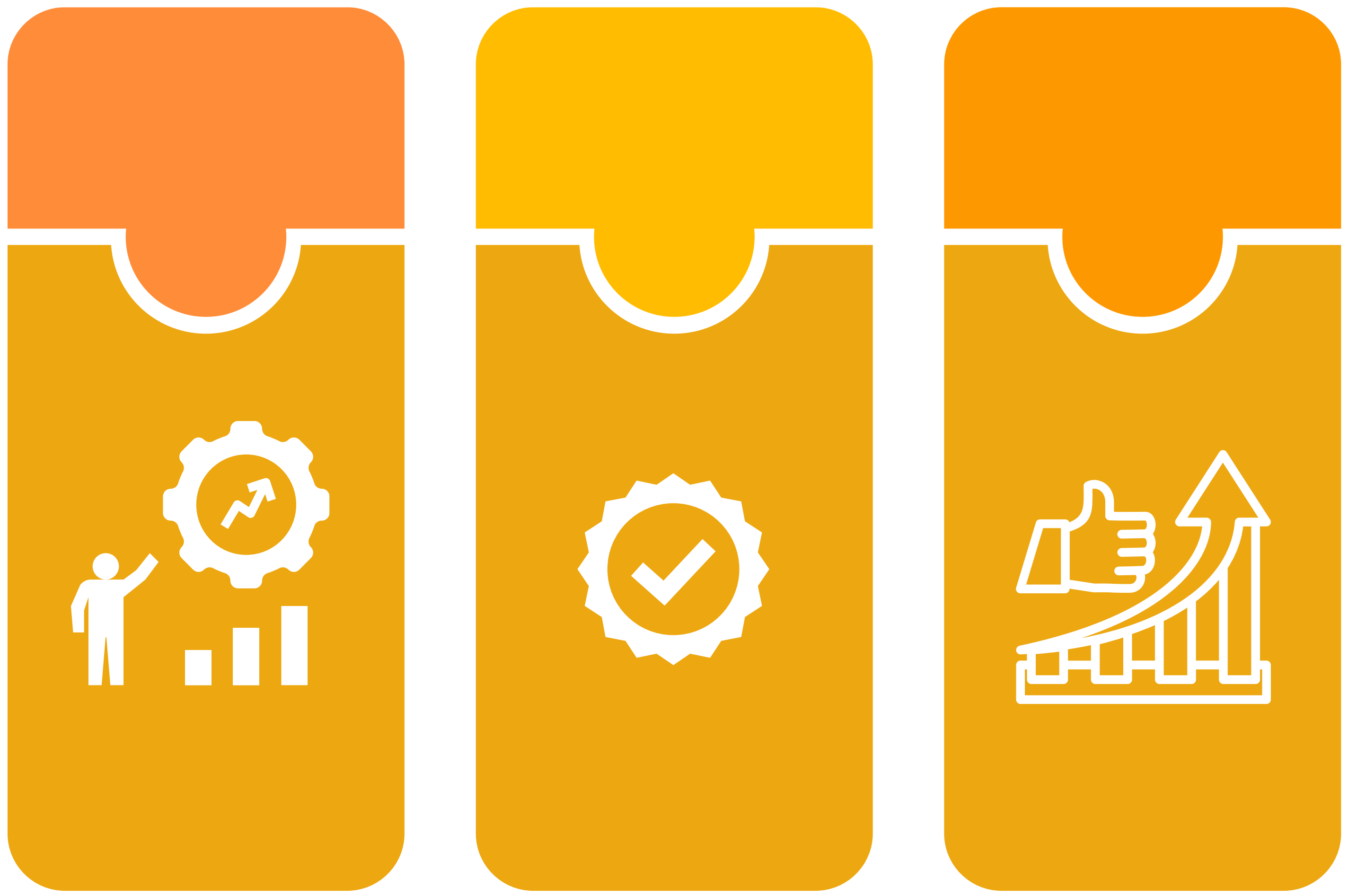
Beneficiary designations are a simple process because you only need to name who should receive the asset directly with the bank, insurance company, or financial institution. Once completed, the asset automatically transfers to the chosen person when you pass away, without extra paperwork or court involvement.

Common Assets Leveraging Beneficiary Designations

- Life insurance policies
- Retirement accounts (IRAs, 401(k)s)
- Bank accounts (POD - Payable on Death)
- Investment accounts (TOD - Transfer on Death)
- Real Estate

Transfer on Death Deed (TODD)

A Transfer on Death (TOD) document lets you name someone to inherit an asset, like real estate or a bank account, automatically when you pass away. It avoids probate, so the transfer is faster and less costly, while you keep full control of the property during your lifetime and can change or cancel the designation at any time.



Simplicity

Easy to set up or update, making it a convenient way to ensure assets go to the right people.

Immediate Ownership

Beneficiaries gain control of the asset quickly, reducing delays and stress after a loved one's passing.

Avoids Probate

The property transfers directly to the named beneficiary without going through court, saving time and money.

Joint Tenancy w/ Right of Suvivorship

Joint tenancy is a form of property ownership where two or more people own equal, undivided interests in the property with survivorship rights.

Creation

Established through deed or title document specifying "joint tenants with right of survivorship"

Powers Granted During Lifetime

Each joint tenant has equal access and ownership rights to the entire property

At Death

Deceased owner's interest automatically transfers to surviving joint tenant(s).

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Further Considerations

Joint tenancy creates immediate ownership rights, potential gift tax implications, and exposure to co-owners' creditors. Consult with an attorney before establishing.

Life Estates

A life estate grants ownership interest in property for the duration of a person's life, with remainder interest passing automatically to designated beneficiaries.

Creation

Created via a DEED recording document.

Powers Granted During Lifetime

Life tenant maintains property rights during lifetime

At Death

Remainder beneficiaries receive property upon life tenant's death

Further Considerations

Avoids probate while allowing retention of control & may qualify for Medicaid planning strategies

Limited Liability Companys

An LLC can serve as a sophisticated estate planning vehicle, especially for business interests or investment properties.

Centralized Management of Assets

A small group of managers or managing members controls the day-to-day operations and decisions about the LLC's assets—such as buying, selling, leasing, or investing assets.

Liability Protection for Owners

An LLC (Limited Liability Company) creates liability protection for its owners (called "members") by legally separating the business entity from the personal assets of the owners. This means that, in most situations, members are not personally responsible for the debts or liabilities of the business.

Operating Agreement Can Control Succession

An Operating Agreement controls the succession of an LLC by defining what happens to an owner's (member's) interest in the business when they leave, die, become incapacitated, or want to transfer ownership. It's essentially the LLC's rulebook for ownership transitions.

Potential Tax Advantages for Heirs

When an estate includes an LLC, heirs may benefit from several potential tax advantages, especially when the LLC is properly structured and integrated into an estate plan. These advantages revolve around valuation discounts, income shifting, and asset protection, which can reduce estate and gift taxes and improve tax efficiency.

Financial Power of Attorney

A durable financial power of attorney is crucial for ensuring your financial affairs continue seamlessly if you become unable to manage them yourself.

Creation

You (the principal) designate an agent to make financial decisions on your behalf through a legally executed document.

Activation

Can be immediate or "springing" (activated only upon incapacity as certified by physicians).

Authority Scope

May be limited to specific transactions or broadly cover all financial matters including real estate, business operations, and investments.

Termination

Ends upon revocation, principal's death, court order, or at a predetermined time specified in the document.

Please Stay In Touch

I truly appreciate your time and engagement. I'm looking forward to growing in partnership with Twin Cities Habitat for Humanities and continuing the important work ahead.

If you have any follow-up questions or would like to connect further, please don't hesitate to reach out!

@anishatheattorney; @justlaw

info@justlawllc.com

www.justlawllc.com

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