

Rural Louisiana

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elcome to the Summer 2010 issue of Rural Louisiana. The Louisiana Tech Rural Development Center strives to serve as a linkage between the research and expertise at Louisiana Tech University and rural communities with the overall goal of improving the quality of life in Louisiana's rural areas. To meet this mission, the Rural Development Center (1) conducts research and policy analysis on issues of importance to rural Louisiana communities (2) engages Louisiana Tech faculty, staff, and students in research relevant to rural communities, and (3) facilitates linkages in Louisiana among Louisiana Tech, other universities, state and federal agencies, rural development practitioners, and rural communities and community organizations. The newsletter features research and outreach efforts of faculty and staff at Louisiana Tech.

In this issue, Dr. Gary Kennedy writes about estate planning and creating a will.

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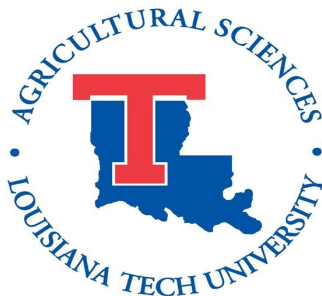
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Rural Development Center News

Tech students coauthor papers published in academic conference proceedings

Margaret Hinton, senior Agricultural Business major, coauthored with Aaron Lusby, Center Director, “The Impact of Levy Systems on the Economies and Agricultural Industries of Rural Communities in Louisiana,” a brief examination of the issues surrounding the safety certifications of levees in the Ouachita River Basin. Stephanie Tidwell, recent graduate in Animal Science, coauthored with Dr. Lusby “Rural Community Recovery from Natural Disasters,” which looked at research literature to find variables that can measure a community’s recovery from natural disasters. Dr. Lusby presented these papers at the 41st Annual Meetings of the Mid-Continent Regional Science Association in June, and they were published in MCRSA’s proceedings after the conference. The proceedings are available at <http://www.mcrsa.org/conferenceproceedingspresentations.html> by clicking on “2010 Conference Proceedings” and downloading the .PDF file.

Summer 2010 represents first offering of classes for new Rural Development Post-Baccalaureate Certificate

Through a grant from the United States Department of Agriculture’s Higher Education Challenge program, faculty from Grambling State University, the Department of Agricultural Sciences and the School of Forestry at Louisiana Tech developed a graduate certificate program in rural development. The Louisiana Board of Regents approved the program last spring, and the program’s courses were first offered in the second session of the summer quarter at Louisiana Tech. to complete the certificate, students take 12 of 15 hours available in rural development topics including GIS, grant writing, international trade and internet commerce . The courses will be offered again in Summer 2011. Complete details on the program are available at http://www.latech.edu/rural_development/certification.shtml.

Some Basics of Estate Planning in Louisiana

Estate planning is a subject that is generally deferred or put off for a variety of reasons. While a few individuals may procrastinate because they are overly optimistic about the longevity of their life, most people who do not address estate planning probably fail to do so because they are unsure of when and how to get started. While there are several different approaches to estate planning, some broad topics including wills, trusts, and estate taxes are discussed below.

A will is simply a document that directs what happens to a person's assets at the time of his or her death. The document can be written in general terms or may be very detailed. Many business supply stores sell kits for developing a will. Typically, within the kit you may find a statement indicating that the template for the will contained is generally valid in all states, except Louisiana. In Louisiana, the Notarial Will (formerly called the Statutory Will) is the only type of printed or typed will that is recognized. Such a will generally has wording to the effect that the testatrix (person making the will) wishes to take advantage of Article 1574, et seq of the Louisiana Civil Code, as amended, to make the document their last will and testament. It must be signed on each page and at the end by the testatrix and before a notary and two witnesses who are not named in the will (see Figure 1).

Certain events generally trigger the creation or the re-examination of a will. Such events include marriage, divorce, birth of children or grandchildren, death of named beneficiaries, purchase or sale of major assets, change in your state of domicile, and change in tax laws. More complex wills are generally prepared by an attorney during the estate planning process. However, very basic wills do not require an attorney and are valid as long as they agree with Louisiana Civil Code. Development of a will is the first basic step in the process of estate planning.

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STATE OF LOUISIANA → → → → → → → Ruston, Louisiana¶
¶
PARISH OF LINCOLN ↗ ↗ ↗ ↗ ↗ ↗ ↗ ↗ October 10, 2008¶
¶

LAST WILL AND TESTAMENT¶
OF JOHN T. DOE¶
¶

BE IT KNOWN, that I, John T. Doe, being sound in mind and body and wishing to take advantage of the provisions of Article 1574, et seq of the Louisiana Civil Code, as amended, do make this my last will and testament, and hereby revoke all prior wills and testaments made by me including any instrument which could be construed as transferring any of my possessions at my death.¶

¶
I make the following bequests and dispositions:¶

¶
1st: I desire that all my just debts be paid at my death and the word "debts" shall include all outstanding bills, funeral and burial charges, charges of my succession and State and Federal Inheritance and Estate Taxes.¶

¶
2nd: I give to my spouse, Jane B. Doe, the usufruct of my entire estate, both separate and community for life.¶

¶
3rd: I give to my child, Junior T. Doe or his heirs by root, my entire estate, both separate and community, subject to the usufruct granted in the bequest above.¶

¶
4th: I dispense all my forced heirs from collating any gifts received from me during my lifetime or by reason of my death, it being my intention that such gifts constitute an extra portion to that forced heir.¶

¶
5th: In the event my spouse shall predecease me, I hereby nominate and appoint James L. Doe and Mary C. Doe, in order named, to act as personal fiduciary and as Guardian of the person and estate of any minor child of mine.¶

¶
6th: I appoint Jane B. Doe as executor of this my last will and testament with full seizing, without bond and without compensation.¶

¶
IN WITNESS THEREOF, I have signed this my last will and testament consisting of one page in the presence of the Notary and competent witnesses hereinafter undersigned.¶

JOHN T. DOE, Testatrix¶

¶
In our presence, the testatrix has declared or signified that this instrument is his testament and has signed it at the end and on each other separate page, and in the presence of the testatrix and each other, we have hereunto subscribed our names this 10th day of October, 2008.¶

¶
WITNESSES:¶

JOHN T. DOE, Testatrix¶

Notary Public¶

Figure 1. An example Louisiana Notarial Will for John T. Doe

Shortly after the death of an individual there is a legal procedure to settle the individual's estate. This process, called probate, establishes the judicial determination of the validity of a will, if a will exists, and directs the administration of the deceased individual's estate. There can be many expenses associated with probate administration, including attorney fees,

executor commissions, appraiser fees, court costs, tax preparation, etc. Assets which typically do not pass through probate include joint tenancy, life insurance, and assets in certain types of trusts. While probate costs can be extensive, there are ways to greatly reduce or eliminate these costs by the use of trusts.

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Trusts

A trust allows an individual (the trustee) to legally hold the title of assets (i.e., property) for another individual (the beneficiary). A living trust is one that is created while an individual is alive, rather than letting assets transfer after death, under the terms of a will. Unlike a will, a living trust can offer a relatively easy, private, and probate-free method of transferring assets after one's death. This transfer is accomplished by deeding the property to the beneficiary while the trustee is alive, with the assets actually transferring to the beneficiary after the death of the trustee. After this is accomplished, the trust will cease to exist. The process to set up the trust can be tedious; however, a basic living trust can be established for as little as \$1,500 in lawyer fees. A living trust does not take the place of a will, but is used to complement it. A "pour over" will generally accompany a living trust. The pour over will transfer any assets that are not explicitly included in the trust and also names estate executors and guardians.

Although a basic living trust can help in avoiding probate expenses, it has no effect on federal estate taxes. Under the federal tax law passed in 2001, estate taxes have been phased out, with 2010 being an estate-tax free year. However, the tax returns January 1, 2011, with a top rate of 55 percent and a \$1 million exemption. While many may think that \$1 million in assets is a lot, this could have a huge effect on small family businesses and family farms because real estate asset values (buildings and land) often exceed \$1 million. These businesses have often had to sell assets in order to pay federal estate taxes. The federal estate tax exemption was \$3.5 million in 2009 and there is current pressure for Congress to re-establish this exemption rate, rather than lower it to \$1 million.

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No matter how the federal estate tax drama unfolds, there are other, more complicated trusts that can greatly reduce the amount of federal estate tax owed. For example, the “AB” living trust is designed for married couples with children. It is also known as a “credit shelter trust,” an “exemption trust,” a “marital life estate trust,” or a “marital bypass trust.” This trust is designed to use the unified credits of both spouses by each spouse leaving property, in trust, to the other for life, and then to the children. An AB living trust can avoid hundreds of thousands of dollars in federal estate taxes and probate

expenses, especially if the net assets of the estate are between \$1 million and \$7 million. Because the surviving spouse never legally owns the property in the trust, it is not considered part of his or her estate. When the surviving spouse dies, the trust property goes to the beneficiaries (i.e., the children). The trust property is not subject to federal estate taxes when the surviving spouses dies. In contrast, if the property were not in the trust, it would be included as part of the surviving spouse’s estate and subject to federal estate taxes.

While estate planning may not be the most exciting financial management endeavor you will ever undertake, it can be one of the greatest gifts that you could give your beneficiaries in terms of money, time, and anguish saved. The primary step is to learn the basics and consult with an estate planner or attorney.

Dr. Gary Kennedy is Professor and Head of the Department of Agricultural Sciences, Louisiana Tech University.