

Items of Value, Inc.

A Full-Service Appraisal and Estate Sale Firm

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Appraisals for Estate Planning and Estate Settlement

Basic Questions

1. What comprises your estate or anyone else's estate?

Three basic components: (a) stocks/bonds/cash, (b) real estate, (c) personal property. Your estate is everything you have bought, were given, inherited, awarded or won that has thereby entered your ownership. Personal property is all movable items both inside and outside your home, at other locations, plus motor vehicles, boats, and animals.

2. When do you lose control of your estate?

(a) You die, (b) court or custodian decides you can no longer manage your affairs, (c) court awards part of your assets to someone else. You may lose mental capacities through Alzheimer's or you may have irreversible declining health requiring full-time professional care, or court may award part of your assets to someone else as part of a divorce or bankruptcy settlement.

3. Why should you plan ahead? Why should you do estate planning?

(a) Make decisions while you still have control over your estate, (b) save a tremendous amount of time (estimate 6-8 weeks full time) and money expense to your heirs or executor, (c) have the feeling of personal comfort from knowing that you "have your affairs in order", having made planning decisions and having avoided family squabbles.

4. What happens if you do not do estate planning?

(a) The task of settling your estate and dividing up your estate falls to someone you have designated or to a court-appointed representative. Both will be required to do the work and can charge time and expenses against your estate. (b) Your heirs will lovingly divide up your property and wonder why you kept so much junk or did not give it to them earlier. (c) You will look down on your heirs and say it serves them right.

5. What type of value is declared for your estate?

Fair Market Value (FMV), as defined by the Internal Revenue Service (IRS), being the price an item is estimated to fetch as determined by a willing seller and a willing buyer without any time requirement to sell or buy. FMV has three components: (a) willing seller, (b) willing buyer, (c) no time constraint -- a somewhat artificial situation.

6. Who is best qualified to determine Fair Market Value?

(a) A financial broker, CPA, or yourself for stocks/bonds, (b) a real estate agent or broker for real estate, (c) a personal property appraiser for personal property. *Caution:* Legal responsibilities of executor include presenting to the state and to the IRS (both for tax purposes) an accurate and full accounting of fair market value of all components of the estate.

The Personal Property Component

1. Who signs the personal property valuation form for tax purposes or for settling and disbursing the estate?

In Maryland and D.C., a professional appraiser must sign. In Virginia, the executor must sign, attesting to the total fair market value of the assets. Submission of a personal property fair market valuation done by professional appraiser as an independent third party transfers responsibility for the assertions contained therein to the appraiser in a large part.

2. What games do people play? What advice do some lawyers and accountants give executors?

(a) Take out items and do not declare them as part of the estate; say they were gifts made and taken before the person died. (b) Make up some dollar value to cover a “typical” amount of personal property, say \$6,000 or \$15,000. *Caution:* Reviewers of personal property inventories and valuations make “sense checks”, looking to see if the list makes sense, that it is comprehensive and with realistic values. Types of items often omitted are jewelry and silver, antiques and fine art. This depends on the other types of items in the estate and on the total value of the estate.

3. What is the basic intent of a fair market valuation of personal property and what should it look like?

(a) Account for all the personal property by presenting an exhaustive list as of the date of death (or transfer of fiduciary responsibility) and provide fair market values for the items. (b) Inventory is a numbered list of individual and grouped items aimed at listing every thing and assigning fair market value. Items that can usually be presented as a group under a single numbered entry are clothing, linens, books, costume (not fine) jewelry, records/CDs, cookware/kitchenware, with a miscellaneous category of items under \$20 fair market value each.

4. How should you handle a situation where the fair market valuation is to be used to divide up personal property?

Generate an inventory list that is as specific as necessary to enable dividing up property and to avoid arguments/lawsuits. If promises or wishes were made prior to death but not recorded in a will, make sure the listing recognizes the individual or groups of items that were mentioned.

Various Estate Distribution Plans and Options

1. All assets (stocks/bonds/cash, real estate, personal property) are to be sold and the cash divided among the heirs on an equal basis, or some other percentage basis, or in designated amounts. **Caution:** This requires turning everything into cash; selling commissions may be involved.
2. All assets are to be divided among heirs on an equal basis, or on some other percentage basis. **Caution:** This requires a fair market valuation in order to establish relative values, followed by transfer of ownership and possibly having to divide up cash or other assets in order to accomplish equitable division of the estate. Estates do not always divide neatly this way.
3. All personal property is to be divided without regard to values and all other assets are to be divided on an equitable basis. **Caution:** Have all heirs review a pre-established list of items, mark the items each would like, then have you (before your demise) or your executor make final decisions as to who gets what. You may use the fair market valuation for each item to help you decide on some equitable basis. **Variation:** Have heirs participate in a “round robin”, rolling dice, or proceeding by order of birth, to make a first round choice, followed by a second choice each, followed by a third choice each until all items have been selected. Record name or initials of each person beside the numbered item on the list. This does not require a fair market valuation in order to establish relative values, and does not discharge the executor from accounting for total fair market value of the personal property. It is important to predetermine the list to avoid problems deciding what may constitute a group of items under a single number such as a set of china or a set of sterling flatware.

Suggestions

1. Estate planning is time-consuming but can be done by doing a little at a time. Plan and allot a little time on your calendar every Tuesday, or two hours every week, or one day every week until you are done. Your heirs will probably appreciate your efforts later.
2. Draft a good will, review it for potential problems with someone who knows potential problems executing wills, have a final signed and witnessed, then alert executor where the original is stored. If you update a will, notify executor of prior existing wills that are no longer valid.
3. Give away or sell items before your demise. Either enjoy the money yourself now, or give the items and money to heirs for their immediate use. Call in a qualified appraiser to write out realistic selling ranges for each item or groups of items.