

## **DEATH AND TAXES: HOW BOTH CAN RUIN YOUR FAMILY**

By: Patrick J. Wood, B.A., J.D.

If the old maxim is true, these are the only two things that are certain in life. The first one, death, nobody ever wants to talk about, much less experience. The second one, taxes, no one wants to pay, much less pay more than what they should. However, as a veterinarian, you have more to lose than the majority of the population if you do not properly plan for the unfortunate, and yet inevitable, occurrence of both happening.

In our professional lives it seems to be one of the great oddities that we face as attorneys. The topic of death and the inability of most to embrace the concept precludes many from properly protecting their families and their estate from the inevitable. Many of our clients know they should have their estate planning completed soon after they get married and begin to acquire assets, however, most estate planning clients are between the ages of 45 and 60. If you own (or plan on owning) a veterinary practice there are unique issues which you must be aware of to protect your family and your assets.

### **Estate Planning In General**

At its core, estate planning is simple: you can either protect your assets or not. Either way your estate will pass to someone. The issue is who will get what and how much. If you chose to do nothing prior to your untimely passing, the state steps in and decides where your assets should go based upon “intestacy laws,” which determines the proper distribution of assets. For this service, most states receive a statutory probate fee of a percentage of your estate’s accumulated assets. The general goal of estate planning is to decide where you want your assets to go and to keep as much of that money as possible without the government “acquiring” an interest in your accumulated assets.

### **The Will**

The most basic estate planning instrument is a Will, which can be as simple as a handwritten piece of paper signed by you explaining where you would like your assets to go. However, a Will will not properly protect you from having to pay estate taxes or avoid probate costs. The Will’s primary goal is for the owner of the assets to be able to control the distribution of his or her assets. If the owner didn’t really like his second child because she got her nose pierced and ran off with the drummer from the local bar band, then the owner didn’t have to give any of his assets to the daughter. However, at the dawn of the 20<sup>th</sup> century, the U.S. Government was seeking to expand its power and needed more money to build its armed forces. Thus, the beginning of the estate tax.

### **Family Trust**

Some states permit a family trust to be set up whereby the successor trustee can become the owner of the practice for a limited period of time until it is sold. The actual rules are specific to the state wherein you are located. If you are fortunate to live in a state with such rules, then we strongly urge you to get the veterinary practice or veterinary practice

stock into this entity, as this would allow you to avoid what can often be a long and arduous probate proceeding that can destroy the value of your practice.

### **Special procedures**

Because a veterinary practice can quickly lose its value if the owner is no longer there, upon the owner's death or once it appears that the owner will not be able to return to the practice, the Veterinarian's heirs must take action to get another Veterinarian in to work the practice until it can be sold. If the owner is very sick but is cognizant and is able to sign papers, then I would make sure that he or she is in a PLLC or professional corporation and have that entity, through the disabled Veterinarian, hire an associate to work the practice on the owner's behalf. I would also commence working on the procedure through a local probate attorney to promptly get the matter in front of a court to approve a potential sale should it come to that. All of this depends on the state where the practice is located. Think of this article as an overview and not a specific treatise for your estate planning needs.

*Patrick J. Wood, B.A., J.D.*

*Pat is the founder and senior partner of Wood and Delgado, a law firm which specializes in representing medical professionals for their business transaction needs. Wood and Delgado represents veterinarians nationwide and can be reached at (800) 499-1474 or by email at [Pat@VetAttorneys.com](mailto:Pat@VetAttorneys.com).*