There's a reason it's called estate *planning*

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Imagine waiting six years to receive money from a huge estate.

In the case of Henry J. Deutschendorf Jr., also known as the pop singer John Denver, who died in a plane crash in 1997, the distribution of his $19 million estate took that long because he didn't have a comprehensive estate plan. He didn't even have a will.

Family estate planning can avoid such a problem as well as nasty conflicts. While you're at it, examine your charitable giving plans, because they often overlap with such planning.

For Alan Gates, owner of a property management firm in St. Louis, he had no idea how complicated his father's business and estate plan were until his father died a year ago. Now he's working with attorneys and investment counselors to avoid being stuck with a $4 million estate-tax bill that may be due when his mother passes away.

"Dad had been working on an estate plan for five years before he died," said Gates (who is no relation to Microsoft Corp. Chairman Bill Gates). "But he didn't utilize all of the estate planning instruments."

What to do now

About 70 percent of adult Americans don't have even a simple will, according to Consumers Union, the consumer group.

Simply designating beneficiaries of retirement plans and insurance policies isn't enough. You have to do more to ensure that all of your wishes are followed and your assets go to the right people instead of the government.

John Denver died in 1997.

Another main objective of an estate plan is to avoid the expensive litigation of probate, a process in which any claimant challenges the validity of an estate in court.

Generally, an irrevocable living trust and other types of trusts avoid probate, which can consume up to a third of an estate's value in legal fees. Living trusts are comprehensive legal documents tha contain detailed directions on disposi tion and control of assets.

Estate planners generally recommen setting up a trust if you have numerou assets and properties. You control every thing while you are alive, and then you designated trustee or trustees manag your estate when you die.

"You need an impartial third party t manage assets" of an estate, said Bo Connelly, an estate-planning lawyer wit A.G. Edwards, the financial service firm.

Creative giving

Of course, there's also nothing wron with giving away some money while yo

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are still alive, and there are ways to contribute to relatives or worthy causes.

College education funding can be at the top of your list for any relative who needs your help. Anyone can contribute to a 529 college saving plan, which can be set up by parents and funded by family members.

- Generally, you can give as much as $11,000 per person annually before you are subject to a federal gift tax, the IRS says.
- If you choose to pay relatives' tuition bills directly, and not indirectly through a 529 plan, the gift-tax limit doesn't apply. You can give as much as you want.
- You can make unlimited direct payments for relatives' medical expenses without hitting the gift-tax limits.
- You can give appreciated securities, which are subject to gift-tax limits. If, for example, you have a child who needs money for a college fund, you can give him $10,000 in stocks and bonds. The recipient, assuming he's in the lowest tax brackets, only pays 5 percent capital-gains tax on securities held for more than one year, the new lower rate passed by Congress this year.

You can also make direct gifts of money or securities to charities or other nonprofit institutions and get a deduction, the size of which depends upon the kind of recipient.

That contribution method can be taken one step further by using a pooled trust. By pooling your donation with other people's money, you are targeting your dollars to a specific charity. Most large organizations have pooled trusts. Ask their development departments for information on how to donate.

You can also create a charitable remainder trust (CRT) with your spouse, a legal entity that controls the amount and timing of your contributions to organizations you choose. Charitable trusts held about $62 billion last year and provide money to charitable groups, universities, hospitals and other nonprofits.

While you are alive, you can get a tax deduction for your donation and can receive income in the form of an annuity. The remainder of the trust goes directly to the charity upon you and your spouse's death.

"Upon your death, your gift is completed," says Lorenzo Wilson, a financial planner with American Express Financial Advisers in Chicago.

For even more control, estate planners often recommend a family foundation, which can be set up by a lawyer for charitable purposes. There's more than $450 billion in 53,000 private foundations.

Family foundations allow you to direct every donation, although, like charitable remainder trusts, they can cost several thousand dollars to establish.

Remember that you get a reasonable tax break for donating securities during your lifetime.

If you donate an appreciated stock, for example, you can deduct "the average market price of the stock on the day of the donation — and you don't have to pay capital gains tax," says Leisa Brown Aiken, a certified financial planner with Trinity Financial Advisers.

Also keep in mind that there are several different kinds of trusts with varying tax and estate-planning benefits, so take your time when preparing your estate plan.

No matter which charitable or estate-planning vehicle you choose, you will also need to set up durable power of attorney and health-care powers of attorney to protect and manage your assets if you or your spouse become disabled. These documents simply grant legal decision-making to someone you trust.

"Go through the details and discuss them with your family," Wilson advises.

Consult with qualified financial and estate planners before you open the discussion with your family so you'll be able to make your intentions clear to them and resolve any conflicts.