

Financial Planning for Your Pet

Tongues were wagging when hotel magnate Leona Helmsley left a \$12 million trust to her dog, Trouble. And while \$12 million is an excessive amount for pet care, you want to make sure that your beloved pet will be cared for after you die or if you become physically incapacitated.

When planning finances for your estate, you can establish a pet trust. An attorney needs to draft the official documents, but working out the financial arrangements with your accountant is a good place to start. Here is how a pet trust works:

You want to have a trust, and not just provisions in your will, because you don't want a gap of time in caretaking while waiting for will to probate. A revocable trust is also in effect during your lifetime, and has the authority to provide for your pet if you are seriously ill or unable to care for your pet. Revocable means that you can amend the trust as needed to add or take away pets or to change the designated fiduciaries. There are three fiduciary members of the trust 'team.' A trustee manages the finances for specified use, a caretaker has physical possession of the pet (may or not be the same person as the trustee), and a trust enforcer ensures that the assets are used for the pet as you direct. If you don't have a person to name as caretaker, there are organizations that will provide care in exchange for a [typically significant] contribution. You need to plan in advance, of course, to understand the options, costs and the admissions process for organizations.

Financial preparation

Making a list of financial items helps you determine the amount of money needed to fund the trust. For example, plan for:

- Basic care items such as food, veterinary care, emergency care, grooming, boarding, walking.
- Amount of time, or the life expectancy of the pet, depending on age, size, breed, health history and lifestyle.
- Income taxes that accrue to the trust if the trust is income-producing.
- Income taxes that accrue to the caretaker or beneficiary of trust receipts.
- Organizational care – the boarding costs and expectations for care and/or adoption to another owner.

You may want to fund the pet trust with financial gifts which can be covered by the pet owner's lifetime gift tax exemption. Such gifts that fall under the threshold, which is \$5.25 million in 2013, greatly reduce or eliminate a tax burden on the trust.

Working with an accountant who shares a passion for caring for pets ensures a thorough as well as compassionate plan for your furry companion. For more information about establishing a pet trust, contact [Rachel Alexander](#), CPA, CIPT at Salmon Sims Thomas Accountants & Consultants, 972.739.1251.