

# A Primer for Estate Planning

*Things to check and double-check.*

Estate planning is a task that people tend to put off, as any discussion of *the end* tends to be off-putting. However, people without their financial affairs in good order risk leaving their heirs some significant problems along with their legacies.

No matter what your age, here are some things you may want to accomplish this year regarding estate planning.

## **Create a will if you don't have one.**

Many people never get around to creating a will, not even buying a will-in-a-box at a stationery store or setting one up online.

A solid will drafted with the guidance of an estate planning attorney may cost you more than a will-in-a-box, but it may prove to be some of the best money you have ever spent. A valid will may save your heirs from some expensive headaches linked to probate and ambiguity.

## **Complement your will with related documents.**

Depending on your estate planning needs, this could include a trust (or multiple trusts), durable financial and medical powers of attorney, a living will, and other items.

You should know that a living will is not the same thing as a durable medical power of attorney. A living will makes your wishes known when it comes to life-prolonging medical treatments, and it takes the form of a directive. A durable medical power of attorney authorizes another party to make medical decisions for you (including end-of-life decisions) if you become incapacitated or otherwise unable to make these decisions.

## **Review your beneficiary designations.**

Who is the beneficiary of your IRA? How about your 401(k)? How about your annuity or life insurance policy? If you aren't sure, then be sure to check the documents and verify who is the designated beneficiary.

When it comes to retirement accounts and life insurance, many people don't know that beneficiary designations take priority over bequests made in wills and living trusts. If you long ago named a child now estranged from you as the beneficiary of your life insurance policy, he or she will receive the death benefit when you die, regardless of what your will states.<sup>1</sup>

Time has a way of altering our beneficiary decisions. This is why some estate planners recommend that you review your beneficiaries every two years.

In some states, you can authorize transfer-on-death (payable-on-death) designations. This is a tactic against probate: TOD designations may permit the ownership transfer of securities (and in a few states, forms of real property and other assets) immediately at your death to the person designated.<sup>2</sup>

## **Create asset and debt lists.**

Does this sound like a lot of work? It may not be. You should provide your heirs with an asset and debt *map* they can follow should you pass away, so that they will be aware of the little details of your wealth.

- One list should detail your real property and personal property assets. It should list any real estate you own and its worth; it should also list personal property items in your home, garage, backyard, warehouse, storage unit, or small business that have notable monetary worth.
- Another list should detail your bank and brokerage accounts, your retirement accounts, and any other forms of investment, plus any insurance policies.
- A third list should detail your credit card debts, your mortgage and/or HELOC, and any other outstanding consumer loans.

**Think about consolidating your *stray* IRAs and bank accounts.**

This could make one of your lists a little shorter. Consolidation means fewer account statements, less paperwork for your heirs, and fewer administrative fees to bear.

**Let your heirs know the causes and charities that mean the most to you.**

Have you ever seen bereavement notices requesting that donations be made to an organization or charity in lieu of flowers? If that's something you would like to happen, write down the associations you belong to and the organizations you support.

**Select a reliable executor.**

Who have you chosen to administer your estate when the time comes? The choice may seem obvious, but consider a few factors. Is there a possibility that your named executor might die before you do? How well does he or she comprehend financial matters or the basic principles of estate law? What if you change your mind about the way you want your assets distributed — can you easily communicate those wishes to that person?

Your executor should have copies of your will, forms of power of attorney, and any kind of health care proxy or living will. In fact, any of your loved ones referenced in these documents should also receive copies of them.

**Talk to the professionals.**

Do-it-yourself estate planning is not recommended, especially if your estate is complex enough to trigger financial, legal, and/or emotional issues among your heirs upon your passing.

Many people have the idea that they don't need an estate plan because they aren't *wealthy*. Keep in mind: money isn't the only reason for an estate plan. You may not be a multimillionaire yet, but if you own a business, have a blended family, have kids with special needs, worry about dementia, or cannot stand the thought of probate delays, plus probate fees whittling away at assets you have amassed, these are all good reasons to create and maintain an estate planning strategy.

[Contact us](#) for help in financial planning.

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**Citations.**

- 1 - [thebalance.com/why-beneficiary-designations-override-your-will-2388824](http://thebalance.com/why-beneficiary-designations-override-your-will-2388824) [10/8/16]
- 2 - [fool.com/retirement/2017/03/03/3-ways-to-keep-your-estate-out-of-probate.aspx](http://fool.com/retirement/2017/03/03/3-ways-to-keep-your-estate-out-of-probate.aspx) [3/3/17]