

# ESTATE PLANNING

## Solving Problems Before They Happen

If the word ‘estate’ brings to mind mansions, private islands and offshore bank accounts, we’d like to encourage you to think about it a little differently.

An estate plan isn’t just for the wealthy. That’s because your estate is anything you own that will be passed down, paid off, or otherwise disposed of upon your death. An estate plan is made up of the official documents that legally ensure your wishes are carried out. While it sounds complicated, creating an estate plan can be relatively simple, and it doesn’t have to be expensive. In fact, the cost to create an effective estate plan can be very reasonable when compared to its savings for your loved ones in terms of time, effort and even money after you’re gone.

True, if your assets are substantial, taxes may be a concern. An effective estate plan can help minimize any taxes due from your estate. But even if you’re young or don’t have a lot of assets, a simple estate plan could head off problems for your family. For example, you can designate a guardian for your minor children, set up a trust to care for them financially, and pass along sentimental items to your loved ones with a few simple documents.

### CONSIDER GETTING EXPERT HELP

With so much at stake, it’s wise to get expert help with your estate plan. You may be smart and capable, but if your expertise is in a different area, you may not be the best choice to take on this task. Consider John. He’s a university professor who owns a primary residence, a vacation home, and an antique car. He has earned a pension from the university system, and has saved for many years in an IRA. John’s life insurance comes through his job, which he has held for 20 years. John is confident that his estate is in order.



But guess what? When John dies, the family discovers that his former wife is still named as beneficiary of his life insurance policy; her children from a prior marriage are still designated in his will to receive equal shares of his bank accounts; and his children will inherit the vacation home because he never added his wife of 2 years to the home’s title. In fact, his IRA beneficiary designations weren’t updated to name his current wife, either.

Although John was an educated, savvy individual, he did not know the questions to ask to make sure his estate was handled in accordance with his wishes. A short visit and a few hundred dollars could have avoided the problems his family now faces. While John’s example illustrates some problems that could occur, there are greater consequences if there are minor children involved. Even if someone has verbally agreed to provide guardianship, unless your decision is legally documented, the court may see things differently. What can you do? Work with a professional to set up an estate plan. An experienced estate attorney can work with you to define your priorities and get everything down — accurately and in accordance with your wishes — in writing.

## TYPICALLY, AN ESTATE PLAN INCLUDES:

### **Will**

Your will is the document in which you can name who will care for your minor children or other dependents, and directs who will inherit your property. Once the directions in your will are carried out, the document expires.

### **Trust**

You may decide to set up a trust to provide for the ongoing care of your heirs, or the ongoing disposition of your assets. For example, you can set up a trust that will provide an income for your spouse or to care for a disabled child. Unlike your will, a trust is a document that survives even after your will expires.

### **Health care directives**

Depending upon where you live, you may want to consider both a health care declaration and a Power of Attorney for health care. Some states combine these two documents within an advance health care directive. Together, these documents allow someone you choose to carry out your health care decisions, or to make health care decisions for you, in the event that you become unable to do so.

### **Financial power of attorney**

In this document, you give a trusted person or entity the authority to handle your money and property in the event that you are unable to do so.



### **Beneficiaries**

Your bank and investment accounts (savings, checking, IRA, retirement, etc.) usually require you to name a beneficiary at the time you open the account. Those beneficiary designations should stay in-step as your life changes, through marriage, divorce, death, adoption, and other events.

### **Life insurance**

Be sure you also keep your insurance beneficiaries updated. An estate plan is a simple way to make sure your wishes are carried out when you are no longer able to do so. Make a plan, and update it regularly. You'll feel more organized, and be confident that your loved ones won't be unnecessarily burdened in the future.

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