

6 Steps to Get Your Affairs in Order

August is Make a Will Month, a time dedicated to strategizing for the future. You may have seen in the news that Aretha Franklin's loved ones are still caught in a legal battle due to the existence of multiple wills. The lesson from this situation is clear: creating a thorough estate strategy might help families handle stress while attempting to manage the legal process after our passing.

On paper, Robin Williams had his estate strategy in place. He had most of his assets in a trust, in addition to having a will. While his estate made provisions for his house and financial assets, an important aspect of his legacy was overlooked— memorabilia. This unintentional oversight resulted in his wife and children taking opposite sides in court as they both claimed ownership. This illustrates the importance of a comprehensive estate approach, covering not only financial assets but everything you own.

It is crucial that your estate plan meets your state's legal requirements to ensure your final wishes are honored, so expert help is recommended. While we encourage you to sit down with a legal professional, we also want to provide some general guidelines you can think through independently. Estate planning is a complex field, but a general outline can clear up some of the mystery.

Estate planning 101

1. What do you want to accomplish? Will you be providing for children under 18? Or are your beneficiaries young adults, older adults, relatives, or charities? Exactly how might you provide for your children? Options you may consider include a trust and/or a will.

What is a trust? Trusts provide control over the distribution of assets, privacy, and potential tax advantages. A trust is a fiduciary arrangement that allows a trustee to hold assets on behalf of a beneficiary or beneficiaries. Trusts can be arranged in many ways, specifying exactly how and when the assets pass to the heirs.

For example, are you concerned that a young adult might fritter away his or her inheritance? A **spendthrift trust** might be the answer. Instead of an account that allows immediate access to the assets, the trustee of a spendthrift trust dispenses the assets over time. Additionally, a spendthrift trust typically protects assets from creditors, bankruptcy, divorce, and lawsuits.

Is there a need to minimize taxes? An irrevocable trust might fit into your plan. By placing assets into an **irrevocable trust**, the estate's value is reduced regarding estate taxes. Besides tax considerations, irrevocable trusts also help protect assets in lawsuits.

You may also decide to create a **living trust**, which transfers your assets to your beneficiaries and avoids probate.

Other trusts that you may find advantageous include charitable trusts, special needs trusts, generation-skipping trusts, and bypass trusts. The latter two offer ways to reduce the estate tax.

You may also consider a will. A will is a legal document that takes effect upon your death. It outlines your wishes, including provisions for guardianship of your minor children.

As we already mentioned, complexities abound. We would be delighted to answer any inquiries you may have. Again, consulting with an estate planning attorney can help you decide if a trust, a will, or both are best for securing your assets for your heirs.

2. Choose the right executor or trustee. Select a trustworthy individual or institution to act on your behalf. You need someone dependable, trustworthy, organized, fair, and financially savvy. Identifying the best candidate can be made easier if you focus on these important attributes.

3. Be sure to designate and regularly update your beneficiaries. It's common to list a beneficiary or beneficiaries for an IRA and life insurance policy. However, it's crucial to ensure that your designated beneficiaries align with your will. For instance, if the will you drafted last year names Joe as the recipient of your IRA at ABC Brokerage, but the beneficiary listed 15 years ago is Jane, Jane will be the recipient of the assets.

4. Prepare for medical decisions. Estate planning isn't complete unless you prepare legal documents such as a durable power of attorney for financial matters and a medical power of attorney for medical decisions. It is crucial in the event you are incapacitated. These documents appoint trusted individuals to make decisions on your behalf when you can't.

5. Do your loved ones know how to find your important documents? If you were to pass away suddenly, would your heirs be forced to embark on an unexpected scavenger hunt? It is important to inform your loved ones about the location of your will and the legal professionals who will handle the process. We recommend creating an inventory of your assets, such as bank accounts, insurance policies, investment accounts, and personal belongings. We can get you started with a checklist. Contact us to learn more.

6. Update your estate plan regularly. Life is full of unexpected turns. Milestone events such as marriage, divorce, births, and deaths can significantly impact your wishes and create gaps in your plan. It is crucial to periodically review and make necessary adjustments to your plan.

Estate planning is a personalized process, and we want to emphasize that the above-mentioned steps are merely an outline. Our objective is to initiate a dialogue and assist you in developing a plan or motivate you to revise an existing one. Having a plan helps you rest easy knowing that your wishes will be carried out as you have requested. We are always available to address any questions you may have.

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