Estate Planning

Estate planning encompasses the management of assets while alive in order to help ensure the proper disposition of those assets at death. In some situations, it can also include strategies to minimize taxes and maximize asset transfer to heirs. Estate planning often involves a team consisting of an attorney, a financial professional, an insurance professional, and yourself. However, whether you are establishing a new estate plan or revising an existing one, only you can provide the guidance, direction, and information your estate planning team needs to develop an effective plan.

Most estate planning efforts begin with a questionnaire and an asset inventory. Although the process may seem cumbersome, the more complete the information you provide, the better equipped your team will be to help you achieve your goals. Even questions that seem intrusive at first have specific purposes.

Here are some examples of the kinds of estate planning information you may be asked to provide:

ASSETS AND LIABILITIES

A list of your assets, their estimated net value, and documentation of the form of ownership (individual, joint tenancy, tenancy by the entirety, and other forms of co-ownership). You will also need to identify your liabilities and those of your spouse. If you live, or have ever lived, in a community property state, you will need to provide information to separate your individual and community property and to determine who is responsible for the management and control of community property.

FAMILY AND OTHER BENEFICIARIES

The names, ages, relationships, and special needs of family members and other beneficiaries. A copy of property settlements, other financial agreements, and court decrees from any prior marriages of both you and your spouse.

EXISTING ESTATE PLANS

A copy of your current will, along with information on any contractual or legal restrictions on the disposition of your assets. In addition, documentation of survivorship provisions and beneficiary designations on insurance policies, retirement plans, employee benefit plans, business buy-sell agreements, and other such assets.

HEALTH STATUS

Information on your current health status and that of your beneficiaries. Also, the average life spans of your ancestors and their ages at death.

OBJECTIVES AND PURPOSES

Your objectives, purposes, and hopes for yourself and each beneficiary, along with an assessment of each beneficiary's ability to manage money.

Once fully informed, your estate planning team can assist you in several important ways. They can:

- Analyze your assets to determine which you should dispose of during your lifetime, which you should retain, and whether any special expertise may be required to value and dispose of your assets;
- Identify which assets may be subject to probate and estate taxes and estimate the potential shrinkage due to these costs;
- Estimate and plan for the liquidity (cash) needs of your estate, your surviving spouse, and other family members and beneficiaries (for instance, cash may be needed to help cover estate taxes, probate costs, or for income replacement); and
- Guide you in selecting the best domicile—assuming you have a choice—to help reduce the net effect of taxes on your estate.

NO PLAN IS FINAL

Life happens and plans change. Birth, death, marriage, divorce, employee benefits and legislative changes may all necessitate adjusting an existing plan or creating a new one. Also, the composition of your assets may change over time. You can keep your estate plan up to date by notifying your estate planning team of any relevant changes as they occur, and by responding when they alert you to legislative changes that may affect your estate.

GETTING STARTED

Even if you are just starting to build your estate and do not need complex estate planning, here's a quick look at some steps you should consider taking immediately in order to protect your family and to reduce potential expenses in the event of incapacitation or death.

☐ DRAFT A WILL

The first thing to do is establish a will. This is a formal, legal document directing the settlement of your estate and provides for the distributions of your assets according to **your** wishes. Without a will, the laws of your state will determine estate distribution. Qualified, experienced legal assistance and proper witnessing should always be sought. Only through a will can you designate your own executor, guardians for minor children, and other fiduciaries.

☐ DESIGNATE A DURABLE POWER OF ATTORNEY

This document authorizes a designated individual to make financial decisions on your behalf should someone ever be incapacitated. This provides a plan for your financial affairs to continue to operate smoothly should you be unable to facilitate things themselves. Things such as the payment of utility bills and filing income taxes can continue even if you are not capable.

☐ DESIGNATE A HEALTHCARE POWER OF ATTORNEY

This is a written declaration that authorizes a designated individual to make medical decisions on your behalf if you are unable. It enables you to assign these decisions to someone you personally trust, rather than leaving the decisions to medical personnel or state regulations.

☐ CREATE A LIVING WILL

This is a document that states what, if any, life-sustaining medical measures you would like taken should you enter an end-of life medical condition. It defines clear directives that you would like implemented but does not authorize someone to make the decision for you.

☐ OPEN AND TRANSFER ASSETS INTO A TRUST

A trust is an estate planning tool that can accomplish a variety of goals by providing more control over one's financial affairs. There are many kinds of trusts but all fall into one of two types: **revocable** and **irrevocable**. Revocable trusts exist during one's life, while irrevocable trusts can exist for many years after death. Each have advantages and disadvantages. Common reasons for establishing a trust include sheltering property or a business from creditors. They are often used to distribute money over time or in perpetuity for an individual with special needs, rather than a lump-sum. Additionally, trusts are a way of avoiding estate taxes and maintaining privacy by keeping the estate from going through probate court. Probate makes the details of an estate public record.

☐ REVIEW BENEFICIARY DESIGNATIONS

Life insurance policies and retirement accounts require beneficiary designations. These designations should be reviewed at least every few years. As situations change, different needs may arise. Circumstances such as divorce or death can change a family's needs instantly and is why it is so important to keep this information current.

While larger estates may have different concerns than smaller ones, the key is to recognize that these are a few of the initiatives you can take now to start managing your estate.

If you have questions or would like to talk about your individual situation, please reach out to the professionals at Meeder by calling 866.633.3371, or visit us online at meederinvestment.com.

