

Is your estate plan in place?

February 17, 2006

Many of us don't like to think about estate planning, because the process reminds us that we are not going to live forever. Yet if you want something of yourself to live on, you should have a comprehensive estate plan. And the best time to start your estate planning is many years before it will likely be needed.

A good estate plan can help you answer many key questions: Who will make financial decisions for me if I become incapacitated? Who will take care of my kids if I die prematurely? How will my money and property be distributed? How can I avoid probate? Can I reduce, or eliminate, the estate taxes my heirs may face?

To address these and other concerns, you will need to work with your tax and legal professionals to create an estate plan that is appropriate for your needs.

You will also need to work with a financial professional to select any investments that may be needed within your estate plan. While working with these people, you may need to consider the following:

Ownership titles

When it's time for your estate to be settled, the ownership of all your assets - real estate, securities, retirement accounts, etc. - will be an important issue. Your tax and legal advisors can help you determine which forms of property ownership - such as joint tenancy, sole ownership and tenants in common - are suitable for your needs.

Beneficiary designations

It's obviously important to name beneficiaries on life insurance policies, annuities and other financial vehicles. But many people don't review their beneficiary designations periodically - and that's a big mistake. If you get divorced and remarried, or if you have a new child, you will want to change or add beneficiaries. If you forget, your family could go through some major headaches when it's time to settle your estate.

Will

If you don't have a will, your wishes may never be fully honored, because state law will dictate how your assets are divided. And if you have no living relatives, and you die intestate (without a will), your estate will go to the state.

Living Trust

If you only have a will, your assets may have to pass through probate - which can be time-consuming and expensive. But with a properly established living trust, drafted by an experienced attorney, your assets can pass directly to your beneficiaries, without court interference, legal fees, lengthy delays and public disclosure. Also, a living trust can give you more precise control over how - and when - you want your assets distributed.

Durable General

Power of Attorney

When you create a durable general power of attorney, you can appoint another person to conduct your business affairs

if you are physical or mentally unable to manage them yourself.

Health Care Directive/Living Will - By establishing a health care directive or living will, you are providing evidence of your wishes regarding the administration of life-prolonging procedures when you are no longer able to communicate.

Proper Planning Takes Time

It can take months, or even years, to get your estate plans in the shape you want - and you'll still probably need to make changes as you progress through life. So, don't delay. Get started on your estate planning soon. It can be a lot of work - but it's worth the effort.