

Four Estate Planning Must-Haves

INSIGHTS

This *Insights* discusses the key estate planning documents everyone should have in place to ensure your wishes are followed if you die or lose capacity.



BRYAN KIRK
Managing Director,
Trust Counsel

It can be easy to postpone your long-term wealth plans—sometimes because the future seems far away, or often because topics like death, incapacity and even retirement can be uncomfortable to think about. But to make the most of your finances during your lifetime and leave behind a legacy, it's important to have a plan.

You are never too young, too old, too busy or uncertain to be in control of your decisions. The choices you make today in your will or other documents can always be changed tomorrow.

Essentials for Every Estate Plan

No matter what your financial circumstances are, there are important estate planning documents everyone should have. These include a will, powers of attorney and a healthcare directive. In most cases, they also include a revocable or “living” trust and beneficiary designations.

Putting these documents in place is how you ensure your wishes are followed if you die or lose capacity. This is especially important when you have young children or other dependents, including parents, siblings or friends, who look to you for financial support.

1. Revocable Trust: The Workhorse of the Modern Estate Plan

In most US states, a revocable or “living” trust is the central document of an estate plan. A properly funded revocable trust can avoid the need for a probate court proceeding after death. It can also facilitate the handling of your property during your lifetime in the event of incapacity.

With a revocable trust, you transfer the title of your assets into your name as trustee. During your lifetime, you remain the beneficiary of the trust and generally can deal with the trust property in the same manner as if the trust were not in existence. You can revoke or amend the terms of the trust at any time.

If you become unable to act as trustee, the successor trustee you have named will take control of the trust property and continue to administer the trust for your benefit. Upon your death, the trust property will be distributed to the people and organizations you name in the trust instrument. And, this is all accomplished without the cost, delay and publicity of a court proceeding.

A revocable trust may not be necessary in all circumstances, but you should consider one if you:

- Are concerned about paying expenses or distributing assets to your heirs shortly after your death.
- Have assets whose management would be hampered by court process or supervision.
- Want to maintain the privacy of information about your property interests and their disposition.
- Have a simple estate that you'd like to be handled swiftly after your death.

2. A Will: Still Necessary, but May Not Be as Important as It Once Was

When most people think of estate planning, the first, and maybe only, document they think about is a will. But due to the advent of revocable trusts, the purpose of a will is not as broad as it once was.

Your will is still typically the legal document in which you name guardians for your minor children, making it an especially important document for young families. It is also generally the place to exercise any powers you may have to appoint (that is, direct the distribution of) property held in an irrevocable trust.

If you have a revocable trust, your will is usually a “pour-over” will, which means any assets you may not have transferred into your name as trustee during your lifetime should be added to your trust following your death.

Typically, your will would provide for a broader distribution of assets only if you do not have a revocable trust and you are comfortable with having a probate proceeding at your death.

3. Title Your Assets: A Critical Step

Ultimately, even if you have a revocable trust or will, the titling of your assets determines what happens to them when you die. For a revocable trust to function effectively, the title to your assets must be held in your name as trustee (e.g., Jane Smith as trustee of the Smith Family Trust). If title to an asset is in your individual name (e.g., Jane Smith), a probate proceeding may still be necessary and the terms of your will control who receives the property, even if it is your revocable trust.

In the process of estate planning, it is critical to review the deeds, account statements and other documents of title for your property interests to ensure formal ownership of your property is accurate and aligned with your current intentions—especially if the property was purchased a long time ago or your family situation has changed.

4. Name Beneficiaries: Never Overlook Life Insurance and Retirement Accounts

Similar to the title to your assets, beneficiary designations can also take precedence over the terms of a will or revocable trust. With retirement accounts and insurance policies, you are generally required to name beneficiaries as part of the initial paperwork. But it is important to

remember you typically can change those beneficiary designations at any time and should always make sure your designations are aligned with the other terms of your estate plan.

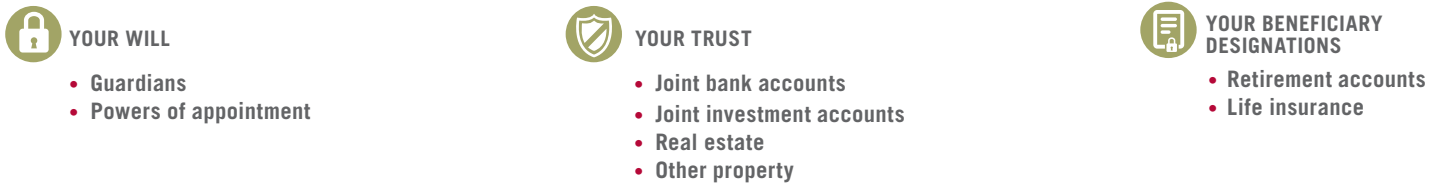
Your insurance company or retirement account administrator should be able to provide you with a copy of your current beneficiary designation as well as the forms necessary to make any changes.

Keep Your Documents Up to Date

Your planning documents are only as good as the information in them. Once you have your documents in place, your next step is to conduct a regular review, usually at least every three to five years. If your beneficiaries or other plans change, update your documents immediately. Reviewing your instructions regularly is the only way to ensure your assets pass the way you intend.

HOW ESSENTIAL ESTATE PLANNING DOCUMENTS WORK TOGETHER

YOU ► YOUR SPOUSE



CHILDREN

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