Wealth Resources Network

The Wealth Achievement Center of CNY

MINI-ESTATE PLANNING

Everyone has an estate - not merely the wealthy. In fact, a major factor in the estate of the not yet wealthy is outstanding debt. We use debt to acquire assets, a home and certain investments, and it is important that debt not cause these accumulations to be wiped out at death.

When you are just building your estate, complex estate planning can be incorporated into a financial and estate plan. Many initial and immediate steps should be taken to protect your family and reduce expenses in the event of your death.

PURCHASE LIFE INSURANCE

You will find this a relatively inexpensive way to insure that a surviving spouse can meet key financial obligations. It is especially important when one spouse does not work, and for couples with children and families dependent on two incomes.

Be sure to review the beneficiary designations on older life policies and especially group insurance and retirement plans.

TITLE ASSETS PROPERLY

The simplest and least expensive estate planning technique for married couples is to take title to assets as "joint tenants." This arrangement excludes assets from probate and can eventually save legal costs.

However, the larger the estate, the more tax drawbacks exist. It is important to work out the details so they ultimately coincide with the goals and wishes of the family.

DRAFT A WILL OR LIVING TRUST

Nowadays many estate attorneys recommend living trusts, sometimes even in place of wills. Living trusts allow assets to pass to heirs outside of probate. However, living trusts may be more involved to set up and more costly than a simple will.

Regardless of which you choose, be sure to name guardians for minor children in case both you and your spouse die prematurely. Also, make provisions for the children's inheritance to flow into a trust to be managed by a trustee you name. Otherwise, the court will appoint someone to manage your children's inheritance and that will cost more than a trusteeship.

Once the paperwork for the trust is completed, change beneficiary designations on life insurance policies and retirement benefits so that money flows to the trust instead of directly to the children.

PLAN FOR INCAPACITY

First, analyze your disability insurance coverage. Consider the duration of benefits and coordination with Social Security.

Second, consider granting durable power of attorney over medical and financial matters to your spouse or another close relative. This enables the individual with power of attorney to make decisions on your behalf should you become mentally or physically unable to do so personally.

Thus, if you were in a coma and could not approve recommended surgery, your spouse could do so for you. The power of attorney would also grant the right of access to funds in your bank account to pay any financial obligations, allow checks to be deposited and permit the filing of tax returns.

SEEK LEGAL ADVICE

While some people create simple wills using forms printed in books or from computer software, it is advisable to use the services of an attorney. Even if the form seems all right, a quick review by an attorney is recommended.

It is possible to purchase pre-printed durable power of attorney forms. However, even though they are legal, you may wish to include specific instructions regarding health or financial decisions. Professional advice from an attorney may eliminate many future complications.

This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

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