Wealth Resources Network

*The Wealth Achievement Center of CNY*

# NEED FOR WILL PREPARATION

Will your family know what to do when you die? Will all the members affected know how to respond if you become disabled? Are you personally prepared to deal with a disability-related early retirement? If not, it will not be your plans that fail. The problem will be the failure to plan!

## COMMON PITFALLS

Every family, every year, should be sure to train itself to be prepared for the worst of circumstances. Yet, most people do not bother to take the essential measures.

Many do not have adequate amounts of life insurance. Others neglect their wills. Many people with complex needs have only a simplistic will when a carefully drawn trust is really needed. Some haphazardly purchase financial products and have no overall financial plan.

Every estate is planned, either actively or passively. Either you maintain control, or the government does it for you. If you do not bother, your family may suffer undue duress and expense because of court proceedings. You can avoid all this by planning ahead.

## REASONS TO PLAN

For example, suppose you have a minor child. You would not think of leaving him/her alone without a baby sitter. Nor would you allow someone else to decide who that baby sitter should be. Therefore, of course, you will want to select a guardian (and alternate guardians) in your will.

Your spouse or family members cannot be expected to know all your financial arrangements. You can save them a lot of anguish by keeping records current, including bank account numbers, insurance policies, real estate deeds and records, stocks, bonds and other investments, wills, trust agreements, employee benefit records, birth certificates, marriage license, military service records and Social Security information.

Employee benefit accounts and beneficiary arrangements change frequently, and often it is appropriate to change prior elections.

It is essential to keep an inventory of all your property, mortgage information and an informal letter of instructions regarding estate administration.

It is also important to make sure you are doing everything possible to assure adequate income at retirement. Take full advantage of savings, investments, insurance, individual retirement accounts and all the products and services available to you. Your professional financial advisor may help you understand the advantages and disadvantages of each.

## SPECIAL ARRANGEMENTS MAY BE NEEDED

You owe it to yourself and your loved ones to become informed, and to teach your survivors now, how to make decisions and handle money. Maintaining your financial safety often means that you or your spouse, if you are not well, may not have to handle money, run a business or manage an investment portfolio. It would be unfair and unwise to thrust these burdens on the wrong people.

## SPECIAL ARRANGEMENTS (continued)

If you have a mentally challenged, learning disabled or physically handicapped child, you must plan ahead. Such children may never be able to care for themselves. The same might apply to a parent or dependent sibling. Such cases call for special legal arrangements, and frequently require special funding efforts to be effective.

Every closely held business owner should consider what will happen if a business associate dies or becomes disabled. What will happen to your survivors if you meet with an accident? Could your spouse or children take over if they had to? Would you want them to? If there are no written, binding plans could the wrong employees take control?

Suppose you are single. Who will act for you later, if you do not act for yourself now?

You may have important charitable objectives. Government cutbacks have shifted some responsibility for social services back to the public, and many worthwhile organizations have a great need for funds. You may be contributing time and money now - what about a legacy after your death?

## BENEFITS OF PLANNING

Controlled estate planning will systematically uncover problems and gaps in your estate and provide solutions. For example, you can plan against:

*Excessive transfer costs*

- The improper plan or group of documents might cause too much tax, payable too soon, coupled with other needless expenses.

*Lack of liquidity*

- Or not enough cash to pay taxes and other predictable expenses. This could result in the forced sale of your liquid assets or other income producing property. This is an especially critical factor for owners of closely held businesses or investment real estate.

*Improper disposition of assets*

- This could result in the estate being disposed of in equal but inequitable shares among your children, even if their needs vary greatly. It may also be an improper disposition of assets to leave two or three hundred thousand dollars in life insurance to a 21-year-old child or to a spouse - without the benefit of a trust arrangements to prioritize for proper investment - or to preclude wild spending.

*Inadequate income if disability occurs*

- Electing the maximum benefits from your employer-sponsored plans, and filling in the gaps with personal disability coverage and insurance waivers of premium.

*Inadequate income for your family at your death*

- To maintain your standard of living, the family will typically need 80 percent of your present gross income. This must be adjusted periodically for inflation, additional debts incurred, education funding needs and special family circumstances.

*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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## HOW TO PROCEED

The place to begin is to sit down with your professional financial advisor and check all your insurance. Then review your will and trust, making sure these documents will do what you want them to do in the most effective manner.

Inform your heirs, before they become heirs, where your personal and financial documents are located - especially a durable power of attorney. If you are married, annually measure your needs, establish your priorities, and then develop and put into effect plans to make sure that your financial future is sound.

It is not necessary to cancel and entirely redraw your legal instrument. A will can be modified by a codicil (amendment), and some forms of trust agreements are also subject to alteration. Of course, your attorney will be familiar with the correct procedures.

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