

Your Employee Assistance Program is a support service that can help you take the first step toward change.

Estate Planning

Estate planning is not just for well-to-do or older people. We all have an estate – things we own and value like our house, car, furniture, power tools, collectibles and even grandma's china. Estate planning ensures that after our deaths, our property and assets pass on to who we want, when we want, and how we want.

But that is only one part of estate planning. Other elements include nominating who will raise any minor children, take care of other dependents and manage our finances and medical care in case of an unexpected accident, illness or disability. Estate planning also helps avoid unnecessary taxes, court costs, legal fees, and emotional trauma for our families and friends.

Do you have a plan for your estate? If you don't, the state you live in does – and you probably won't like it.

Getting started

Everyone's situation is different, but there are a few basic first steps towards creating an estate plan. These include:

1. Taking inventory of everything you have (from household items to banks accounts) and everything you owe. You'll probably be surprised at just how much you possess. Having a comprehensive list of assets is also helpful when updating your home insurance or financial plan for your future.
2. Organizing your important documents and either putting them in one place or indicating where they are located. Be sure to give this information to a trusted family member or friend. If you don't have a relative or friend you trust, ask a lawyer to help.

   These documents should include:

   - Inventory of assets and debts
   - Signed will and living will
   - Certificates of birth, marriage, divorce, citizenship, and adoption

- Sources of income and assets (pensions, annuities, IRAs, 401ks, etc.)
- Names of your banks and account numbers (checking, savings, credit union)
- Lawyers and stockbrokers' names and phone numbers
- Insurance information (life, health, long-term care, home, car) with policy numbers and agents' names and phone numbers
- Original deed for your home and car title and registration
- Copy of your most recent income tax return
- Information regarding liabilities and debts, including mortgages and property taxes — what is owed, to whom, and when payments are due
- Credit and debit card names and numbers
    1. Thinking about who will act as the executor of your will – the person who will distribute your property and assets according to your wishes, file for probate (the legal process whereby the Court validates a will), pay any outstanding debts and generally tie up all loose ends regarding your estate.

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2. Thinking about whom to nominate as your power of attorney in case you are physically or mentally unable to conduct your own financial affairs.
3. Thinking about whom to nominate as your power of attorney regarding your health or end-of-life care. Give consent in advance for your doctor or lawyer to talk with caregiver(s) as needed.
4. If you are married and/or have minor children, obtain life insurance.
5. And most importantly, MAKE A WILL.

Where there's a will….

Perhaps the most important part of any estate plan involves having a will. If you die without a will (intestate), your state will distribute your money and property according to its probate laws. If both you and your spouse die, the court appoints a guardian for your minor children. In other words, the state's plan may not reflect your actual wishes.

A similar situation occurs if you do have not nominated a power of attorney if you unable to manage your financial affairs or health care. The court will then conduct your financial affairs and oversee your care through a conservatorship or guardianship (depending on the term used in your state). It can become expensive and time consuming, and difficult to end if you recover.

However, according to a 2016 Gallop Poll, only 44 percent of Americans say they have a will. Surprisingly, about three in 10 of those aged 65 years and older, and nearly four in 10 of those with household incomes of $100,000 or more report not having a will.

In addition, two-thirds of Americans don't have a living will – a document that states your health care wishes if you are unable to do so yourself. Having a living will can make it easier for family members to make tough healthcare decisions on your behalf and names the person you want to make those decisions for you (power of attorney).

So why is estate planning not a greater priority for more people? Many think they're not old enough, don't own enough, don't have the time or just don't want to think about it. Those that do think about it feel estate planning is too expensive. It's not. For young families or single adults that usually includes a will, living will and life insurance. A straightforward will is fairly inexpensive to draft.

A will not only involves property and assets. It also allows you to:

- Designate a guardian for your minor child or children and, if applicable, a trustee to manage their inheritance.
- Designate your own executor and thus eliminate the need for court supervision of the settlement of your estate.
- Name beneficiaries not under your state's intestacy laws, such as stepchildren, godchildren, friends or charities.

Establish trust

Trusts are not the exclusive domain of the rich. There are as many reasons to establish a trust as there are types of trusts: irrevocable life insurance trusts, credit shelter trusts, spendthrift trusts, charitable trusts, special needs trusts, family trusts, land trusts and on and on. A trust makes sure your assets are used as you would like them to be. A trust is also more difficult to contest than a will.

Trusts are also used to avoid probate -- which can take a year or more to finalize and your beneficiaries can't touch their inheritance during that time. A trust allows your family to bypass this process and gain access to the assets and property more quickly.

There are two basic types of trusts: living (inter-vivos) trusts and testamentary trusts. A living trust is set up during your lifetime while a testamentary trust is set up in a will and established after your death.

Living trusts are popular because they not only spell out who inherits what, but exactly how difficult-to-divide property is be allocated, who has the right to use it and under what conditions, whether the property can be sold and if so, how the proceeds should be distributed and how the inheritors can buy each other out if they so choose.

Living trusts can be either "revocable" or "irrevocable."

Revocable trusts allow you to retain control of all the assets in the trust, and you are free to revoke or change the terms of the trust at any time.

With an **irrevocable trust,** the assets are no longer yours and the appreciated assets aren't subject to estate taxes.

Minimize costs

Estate planning also minimizes fees and taxes associated with distributing your assets – especially probate costs. All estates must go through a form of probate, but without a will or Revocable Living Trust your family will face much higher fees. These vary from state to state and according to the value and type of assets and include:

- Court and bond fees
- Attorney fees
- Accounting fees
- Appraisal and business valuation fees
- Personal representative fees

With these and other costs, probate can take between three and eight percent of the value of your assets away from your loved ones. With a will or Revocable Living Trust, the costs are only between one and five percent.

Going forward

Estate planning is not a one-time deal. Your plan should be reviewed and updated regularly as your personal and financial situations change. To learn more about estate planning strategies, talk with an experienced estate planning attorney or financial advisor.