

HOW TO CREATE AN ESTATE PLAN



You understand the importance of estate planning, but sometimes it's a question of where to start. No matter your net worth, you need a plan set in place that can help your heirs understand your final wishes and distribute your estate properly. As you prepare to discuss with your financial advisor, here are a few tips and considerations to keep in mind.

NAME AN EXECUTOR

After your passing, you'll want to have somebody in place who can execute your wishes. This person is aptly named an executor.

Many people choose a spouse, sibling, child or close friend as executor. In most cases, the job is fairly straightforward. Still, you might give special consideration to someone who is well organized and capable of handling financial matters. Someone who is respected by your heirs and a good communicator also may help make the process run smoothly.

Above all, an executor should be someone trustworthy, since this person will have a legal responsibility to manage your money, pay your debts (including taxes) and distribute your assets to your beneficiaries as stated in your will.

If your estate is large or you anticipate a significant amount of court time for your executor, you might think of naming a bank, lawyer or financial

professional. These individuals will typically charge a fee, which would be paid by the estate. In some families, singling out one child or sibling as executor could be construed as favoritism, so naming an outside party may be a good alternative.

UNDERSTAND ESTATE TAXES

Tax planning should be an integral part of your estate planning strategy. You'll want to work with a tax professional who can help you navigate state inheritance laws and federal estate taxes. The 2017 Tax Cuts and Jobs Act raised the federal estate tax significantly, making it easier for families to maintain their estate when transferring to loved ones. Estates with combined gross assets under \$11,700,000 (for individuals) are not required to file an estate tax return.¹

PREPARE YOUR HEALTH CARE DOCUMENTS

Healthcare documents spell out your wishes for health care if you become unable to make medical decisions for yourself. They also authorize a person to make decisions on your behalf if that should prove necessary.

These documents may include:

- » Living will
- » Power of attorney agreement
- » Durable power of attorney agreement for healthcare

ASSESS YOUR LIFE INSURANCE POLICY

When was the last time you assessed your life insurance coverage? Have you compared the life insurance benefit with your financial obligations? Keep in mind that several factors will affect the cost and availability of life insurance including age, health and the type and amount of insurance purchased.

Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

WRITE A LETTER OF INTENT

A letter of intent is a non-legal document that outlines your wishes. A strong, well-written letter may save your heirs time, effort and expense as they administer your estate. It acts as a message from the deceased and can include an array of information from providing organization and outlining last

wishes, to detailing information and sending personal messages. Consider including instructions for your funeral arrangements and other details that are important to you.

ORGANIZE YOUR DOCUMENTS

After your passing, you'll want your heirs and executor to be able to easily obtain and access important documents.

These documents may include:

- » Your will
- » Trust documents
- » Life insurance policies
- » Deeds to any real estate, and certificates for stocks, bonds, annuities
- » Information on your financial accounts and safe deposit boxes
- » Information on your retirement plans
- » Information on any debts you have: credit cards, mortgages and loans

1. <https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>