

Estate Planning Primer

Adding Peace of Mind to Family Time

While we would all agree that estate planning is not the most cheerful topic, talking with your family can help ensure everyone understands your wishes and appreciates the importance of planning ahead. These conversations provide clarity, peace of mind, and can mitigate the risk of future conflicts. Before you initiate the conversation, it helps to know the key components of a sound estate plan. Even if you already have documents in place, reviewing them periodically is essential as circumstances evolve. Here's a refresher on the fundamentals of an estate review:

1. Last Will and Testament

The will is a necessary component of the estate plan. It outlines where or to whom to direct probate assets and designates an executor (the person responsible for carrying out your wishes). If a person has minor children or dependents, the will also names guardians to care for them. Without a will, state law determines who inherits the property, which can lead to unintended consequences. Even if you have a revocable trust (more on that below), a "pour-over" will ensures that any assets not already in the trust are handled appropriately.

2. Revocable Living Trust

A revocable living trust is a powerful tool for many families. It allows the assets titled to the trust to skip the probate process entirely. With a trust, the grantor maintains control over the assets during life, as well as the ability to amend the trust document. Trusts can be particularly valuable for those who own property in multiple states, want privacy in their estate matters, or wish to set conditions on when and how beneficiaries receive their inheritance.

3. Financial Power of Attorney

A financial power of attorney designates someone to make financial and legal decisions. This power can be granted indefinitely (durable) or springing (in certain events such as incapacity). This can include paying bills, managing investments, or handling tax matters. Without this document, the family may need to go through a court process to gain authority, which could result in unnecessary expenses and delays.

4. Health Care Power of Attorney and Living Will

The health care power of attorney (sometimes called a health care proxy) allows a trusted person to make medical decisions in the event of incapacity. A living will or advance directive complements the power of attorney by expressing wishes regarding end-of-life care.

5. Beneficiary Designations

Not all assets are governed by a will or trust. Life insurance policies, IRAs, 401(k)s, and some bank accounts pass directly to the individuals listed as beneficiaries. It is crucial to review these designations periodically, especially after marriages, divorces, or deaths in the family. Do not assume that all of your assets will automatically fall under the purview of your will and/or trust.

6. Letter of Instruction

While not legally binding, a letter of instruction can be a thoughtful addition to the overall estate plan. It might include practical details such as where important documents are stored, personal messages to family members, or a list of professional contacts and other useful information.

We believe the key to a successful estate planning discussion is tone and timing. One effective approach is to keep the conversation casual and focused on continuity rather than legal mechanics. It can also help to frame the discussion as a gift by explaining that your goal is to make things easier for everyone and to provide clarity, not control. Invite participation by encouraging your adult children to ask questions and reminding them that your plan can evolve as circumstances change. This is especially important if your adult children have been named as executors, trustees, or agents within your plan documents.

Your family has learned by watching you build your wealth over the years, but now they can learn by seeing how you thoughtfully manage it. This sends a valuable message that encourages them to take an active role in addressing their own planning needs. Our team is often a great first step in understanding your estate plan. We can review your current documents, beneficiaries, explain core concepts, and help you think through ideas. This preparation often makes any subsequent meetings with your estate attorney and/or CPA more efficient. Bringing your team of professionals (as well as family) in sync adds clarity to what can otherwise be a complex topic.