

Securing Your Legacy

The Critical Role of Estate Planning

No matter how old you get, crafting an estate plan can feel like something older people do. Thinking about your mortality is uncomfortable and many put it off because it feels too morbid, like living from the grave. In fact, over 80% of employees do not have a will and don't know where to begin creating a plan, according to a financial wellness survey from Financial Fitness For Life. Here's the thing, everyone's story ends the same way.

An estate plan is a core financial responsibility that can significantly benefit you and your loved ones in the long run and protect them during a time when they are grieving. Creating a successful plan takes careful consideration of a few key questions and requires implementing a variety of tools to align your plan with your wishes and goals.

Understanding Estate Planning

Estate planning involves making arrangements and decisions regarding your assets and personal affairs in the event of your death or incapacity. In simple terms, it aims to answer critical questions:

- ✓ What do you own, and who gets it?
- ✓ Who will make decisions on your behalf if you can't?
- ✓ Who will take care of your children?
- ✓ How do you want to be cared for if you can't look after yourself?



Do I Need an Estate Plan?

Yes, everyone does, especially if you own property or vehicles, have children, have specific healthcare wishes or want to minimize family conflicts. Surprisingly, 25% of people will become incapacitated at some point in their lives, making it crucial to appoint someone to make decisions to avoid emotional turmoil. Additionally, a well-crafted estate plan can help you and your heirs minimize taxes owed.

Getting Started

So, when should you start estate planning? The answer is yesterday. Life is unpredictable, and it's never too early to begin planning for the future. First, consider the different tools you can use to craft your plan:

Last Will and Testament (Will): This is a legal document that outlines your final wishes regarding the distribution of assets and the care of minors. However, wills have limitations, prompting some people to explore trusts as an alternative.

Living Trust: This is a powerful tool that can help you avoid probate (we discuss this concept further below), reduce legal fees, maintain privacy and gain more control over the distribution of your wealth. It becomes irrevocable when you become incapacitated.

Living Will (Advanced Directive): If you become incapacitated, a living will gives healthcare providers guidance on your medical wishes.

Financial Power of Attorney: If you become unable to make financial decisions, your appointed power of attorney can make financial decisions on your behalf.

Medical Power of Attorney: Your living will outlines your wishes, but appointing a medical power of attorney designates someone to make medical decisions for you in case you cannot make them yourself.



Critical Steps in Estate Planning

- **Start Conversations:** Effective communication is key to a successful estate plan. Initiate open conversations with your family members about your wishes when times are good. Discussing this topic in times of distress or loss can lead to miscommunication, emotionally based decisions and conflict.
- **Take an Inventory:** List all your assets and outstanding debts, as your estate consists of everything you own, and debts must be settled before assets go to beneficiaries. Remember, assets include the tangible (such as homes, cars, and antiques) and intangible (including bank accounts, stocks, retirement plans, and digital assets).
- **Determine Your Goals:** Define your goals and wishes for your estate, considering your family's needs and future financial stability.
- **Create Legal Documents:** Identify and create the essential legal documents that spell out what you want, including wills, trusts and beneficiary designations. Store these documents in a secure location and periodically review and update them. You should also make sure someone you trust knows where these documents are located.

Probate

Probate is the legal process through which assets are distributed. The court will first determine the validity of your will or legal documents, pay your debts and then distribute assets to your heirs. Assets with designated beneficiaries can bypass probate, but those not included in your plan can end up in probate. It is a time-consuming process and can take anywhere from six months to two years, which is a problem if you have beneficiaries in need of the money or assets you have set aside for them.

Estate planning can be scary to think about. When you reflect on what estate planning means for the people you care about most, it's easier to see it as a compassionate and responsible way to care for your loved ones and help to safeguard your assets. By understanding the importance of estate planning and taking the necessary steps to create a well-thought-out plan, you can take steps to help your legacy be preserved and your wishes and your wishes honored, even after you're gone.