

RESEARCH



Insights for Investors

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Estate Planning – What are the Basics Everyone Should Know?

Planning for the passing of your estate – everything that you have come to own in this life, is something that all of us will need to do. It is said that the formal process of estate planning is only done by about one-third of people. The question for us all is: Should everyone have an estate plan (and do estate planning)? To answer that

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question, we will review what are considered the essentials or the basics.

First is – having a will. A will is for your wishes. It points out your wishes as to whom your assets are to go to. Additionally, it usually appoints someone to oversee your estate. That could be an executor (a man) and executrix (a woman) or an administrator (either a man or a woman). The most important thing to remember about a will is that the court (known as the probate court) must review and rule on the will. This does take some time – a few weeks up to a year and usually comes at a cost (court cost and attorney cost). The court gives the administrator a document which gives them the authority to go about distributing assets.

The second would be a (durable) power of attorney. This is a document that allows you to appoint someone to act on your behalf for financial and other (non-medical) matters. Durable means that it can be in place if you do not have the capacity to act. It is important to note that the DPOA ceases to exist upon your passing.

The third and fourth pieces are with regard to your health (vs your wealth). Those are 1) A living will which details what your preference for medical treatment are should you not be able to provide that decision. This includes the decision of life support. 2) An advanced medical directive or durable power of attorney for health where you have appointed someone to make decisions regarding your medical treatment.

The final would be a trust (and there are several versions of trusts). Essentially the trust establishes a beneficiary so that your directions are followed regarding who the beneficiaries are to be for assets that you have put into your trust. Many people put their homes in a trust as well.

We encourage investors to ensure they have beneficiaries for all of their assets. That is automatically offered on retirement accounts like IRAs and 401ks. A trust is similar in that you can name a beneficiary.

The objective is for those who wish to have their heirs not have to go through the probate process and that their assets can pass to the intended recipients upon their passing.

There are alternatives of course, such as transfer on death for an investment (non-retirement) account or payment on death (POD) for a bank account. These may or may not have limitations, so it is wise to seek proper legal counsel before proceeding.

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