

20 questions your estate plan should answer



Fill in the details of a life well lived

You've achieved a certain level of success, and you understand that the privileges of significant wealth come with challenges in equal measure. Among those challenges is successfully passing your wealth and values on to the next generation. It's not a challenge you'll face alone; more than \$30 trillion is expected to be passed from one generation to the next by 2048.¹

That's a staggering figure. Even more astonishing is the fact that 58% of Americans don't have so much as a will in place to help smooth the transfer of wealth, according to a study by Princeton Survey Research Associates International. Those who do have one may not realize just how comprehensive their estate plan should be. Every adult needs an estate plan to dictate not just who inherits what, but even more important matters related to your well-being and quality of life. The fact is if you don't make your wishes known, the state will do it for you, potentially at a heavy emotional and financial cost for those you leave behind.

So how can we ensure that our wishes are carried out and that the next generation is prepared to be good financial stewards? The answers lie in asking the right questions – of yourself, your spouse, your family – no matter how uncomfortable it may be.

Ask and answer

It may help to view these conversations as an opportunity for your family to talk about what matters, to grow

closer, stronger. Answering some of the questions below allows you to share not only your wealth, but the values that have helped you build and sustain it through the years.

1 Who'll care for the kids and how?

If you have minor children, nothing could be more important than this. If you don't appoint a guardian, the courts will. The loss of both parents will be hard enough, so it's important to ensure their care as best you can. It's not enough to discuss your wishes with your chosen guardians; you must include specifics about who will take care of your children and how your assets are to be used for their benefit. Pick someone, as well as an alternate, who shares your values and will love your children as their own. You may want to write letters to the guardians and your kids that offer specifics about your wishes and the beliefs you want to share. The letters won't be part of your official estate plan, but will go a long way to making sure your kids are well cared for.

Think about this

Without a trust, your children will likely be fully in charge of their inheritance once they turn 18, so you may want to put stipulations in place so a trustee can help guide them when you can't.

2 What do you own?

Seems simple enough on the surface, but you need to include more than your home, car and bank accounts. Take inventory of your retirement accounts including 401(k)s at your previous or current company, insurance policies, digital assets, fine art, intellectual property – anything that has value. Rental properties and business ventures should be included as well as how they are titled.

Your estate attorney can help you decide what needs to be itemized in the will, but it's a good idea to have a basic inventory of your assets whether or not you specify them in your legal documents.

3 What do you owe?

Make a full list of your debts including mortgages, loans and credit cards, so your family is fully aware should creditors come calling.

4 Who gets what?

Yes, we're talking about distribution of property. But it's anything but simple. Who are your heirs, how much will they receive and when? Are your heirs old enough and adequately prepared to handle significant wealth and the responsibilities it brings? Will you need to put stipulations in place about when they'll receive their inheritance and under what circumstances? Will some members of your family expect to be the sole beneficiaries? How will you manage family dynamics? Will they understand if you want them to succeed on their own without a trust

¹Accenture

fund? It can get even more complicated when you factor in blended families and business interests.

Without a detailed estate plan, you can't specify who gets what. That means your estranged brother could inherit your business or that part of your estate may be liquidated so that your spendthrift child receives his or her share. You'll also need to consider any beneficiary who is unable to fully care for themselves and outline your wishes for their care. If someone you love is incapable of handling money well, then it's time to consider a trust of some sort to help act in your interests when you're no longer able to do so.

It's a good idea to work through these complexities, while you have time to do so, with guidance from estate planning experts.

Think about this

Things get messy without a will. At best, it forces someone to go through a court proceeding to become a voluntary administrator of your estate. At worst, the people you love most could end up in a years-long legal battle with one another.

5 Do you need/have a trust?

Trusts need not be expensive or complex, and there are a variety of trusts to help your heirs manage their inheritance until they are old enough, capable enough or financially savvy enough to manage those assets for themselves. Your financial advisor and estate attorney can help you determine what kind of trust makes the most sense for your family.

6 Who gets your retirement savings?

Most retirement accounts are passed on to named beneficiaries on the account, not in accordance with your will. It's important to make sure your beneficiaries are up to date and review your selections at least once a year or whenever a major life event occurs within your family.

Think about this

On a related note, your beneficiary designations, titling of assets and your estate plan should all reflect your estate planning intentions. Each of these documents needs to be coordinated with the next, so they tell a comprehensive "story."

7 Who will run your business?

Only 30% of privately held businesses survive into the second generation, and less than 15% survive into the third. This makes it vital to establish a transition strategy and start working toward a successful succession years before you think you need it. It may make sense to groom an heir from your extended family, to sell, or to have an expert take over until your chosen heir is old enough or prepared enough. But again, have a plan and put it in writing.

8 Are you fully insured?

Life insurance, especially, can be a means to provide for your children or your spouse. Some families elect to use life insurance to help make inheritances more equitable, say in the case of an art-loving child inheriting

your collection, while his or her sibling receives a similar amount as an insurance payout. However you choose to use it, make sure to update beneficiary designations as necessary, so you don't inadvertently benefit your ex-husband instead of your children or current spouse.

And, make sure your family knows what policies you have and where they are so they can access them. Let them know, too, how those policies are paid. Seems odd, but if they prematurely close the account that automatically paid those premiums, they may inadvertently void your policy for non-payment. It's these types of details that can make the aftermath of a loss so much harder for those you love, so make sure to communicate all the necessary information.

9 As you age, who will take care of you and how will you fund that care?

Caregiving is a lot to ask of one person, so it may make sense to tap several friends or family members who can coordinate your care, doctors' appointments, transportation and other needs as you get older. If you have long-term care insurance, let your family know where the policy is, what it covers and your preferences for care.

Think about this

Longevity is a game-changer. Estate planning is the way you communicate how you want to live out the remainder of your years, possibly in the care of someone else. You may want more than a paragraph or two describing your wishes.

10 | Who should be your healthcare advocate?

While you may not want to think about what happens should you become incapacitated, it's wise to do so while you can make decisions for yourself. Healthcare decisions related to your quality of life are important and should be carefully and thoroughly communicated both in writing via a healthcare directive, as well as discussed with your family and whoever will serve as your healthcare power of attorney. You may also want a living will to outline how you want your loved ones to deal with end-of-life decisions. Doing so now can save them from additional turmoil during what is sure to be an inherently difficult time.

Think about this

Anyone over 18 should have a healthcare power of attorney. Once your children become adults, healthcare professionals can no longer share medical information with you unless given permission to do so. Talk about whether your kids should make you or your spouse their healthcare proxy.

11 | What if the unthinkable happens?

It's awful to contemplate, but should you stipulate who gets what if disaster strikes your entire immediate family? Who would be your next choice of heir? Contingencies help keep your estate out of court and help those left behind pick up the pieces.

12 | What kind of funeral do you want?

Estate planning is about making things easier for your loved ones after you're gone. And that means letting them know whether you want to be cremated or where you'd prefer to be buried. Even better? Make arrangements – and pay for them – ahead of time so your survivors will face less stress. That, in and of itself, may be worth the effort.

13 | Who will be responsible for your financial, personal and legal matters?

One person should be designated as your financial power of attorney. It may be the same person you trust with your healthcare decisions, but this person is the one who'll manage your assets if you're unable to. You can limit the scope of responsibility to just day-to-day transactions, like paying bills, or widen it to include real estate matters and philanthropic endeavors. Whomever you choose must be honest, competent and willing to work with your professional advisors to keep your finances in order.

14 | Who is your executor?

Your executor will have quite a bit of legal responsibility and control. This is the person who files your will to start the probate process; locates, values and helps distribute your assets; settles the estate, including paying any estate taxes; and navigates other potentially complex issues.

He or she should be trustworthy, fair and reasonable – and have time to devote to the job. Many choose a family

Only 30% of privately held businesses survive into the second generation, and less than 15% survive into the third. This makes it vital to establish a transition strategy.

member, but professional executors are available, too. A trustee has similar fiduciary duties and should be someone with integrity who can handle the responsibility and honor your wishes.

Think about this

Almost 70% of heirs' assets disappear after an estate transition. Teach the next generation to be good stewards of family wealth.

15 | Who will manage your digital assets?

Our modern life comes with usernames, passwords and, yes, digital assets (your music and photo libraries, perhaps). Someone should be able to access your online life, including social media accounts, after you pass away. Read through some of the fine print to make sure you're not violating any terms of agreement by assigning a digital proxy to access your accounts. If necessary, assign a digital power of attorney instead.

16 | What legacy would you like to leave behind?

Your answer should take into account non-financial topics such as your values, expectations, the roles your family members will play and more. Have you shared the history of your success with your family? Are you confident they have what they need to carry on your legacy for the next generation and those who come after?

You can answer these questions in a nonbinding "family love letter," also referred to as an "ethical will," for your spouse, children and grandchild-

ren. The greatest gifts you have to bestow may well be your values, spiritual beliefs, wisdom, hopes for your descendants, and the love you feel for your family and friends – important intangibles worth sharing with those you care about.

17 | What organizations do you want to benefit?

A well-designed estate plan allows you to do some wonderful things with your hard-earned assets. You could benefit your local children's hospital or theater. Or give to your alma mater or fund a grandchild's college education. The choices are endless, but your wishes need to be well documented and secured via the appropriate vehicle, whether a donor-advised fund, a charitable remainder trust or some other kind.

18 | Is your estate plan tax efficient?

While the current \$5.49 million individual federal estate and gift tax exemption is quite generous, it may not cover your entire estate. Consider implementing some well-known strategies to help reduce or eliminate gift, estate and generation-skipping transfer taxes, as well as mitigate federal and state income tax consequences. Doing so could smooth the transfer of assets and keep more of your hard-earned wealth within the family. For example, consider using the unlimited marital deduction that allows tax-free transfers between spouses, or a specialized trust, such as a bypass trust or credit shelter trust, with your spouse as the lifetime beneficiary and your children as the remainder beneficiaries.

19 | Where are important documents stored?


Your loved ones shouldn't have to chase wild geese when they're already dealing with loss. Once you have your affairs in order, communicate the practical parts of your plan, including where to find all the important documents. Keep in mind, this doesn't just apply to estate planning documents, but also to birth and marriage certificates, deeds, insurance policies, credit card information and other financial documents, to name a few.

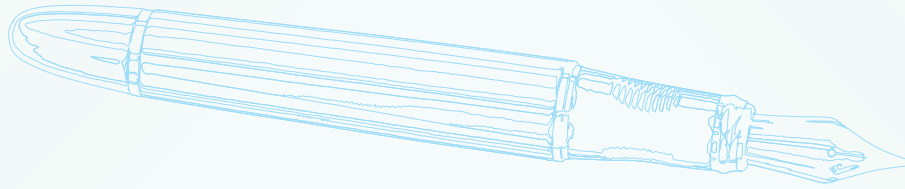
20 | Who are your advisors?

Your family will need to contact the professionals who helped you draft your estate plan and may even need guidance themselves. Make sure your family has met your professional advisors and knows how to contact them.

Your lasting legacy

Successfully passing on wealth is complex, both emotionally and practically, but the effort is worthwhile for your own comfort and the security of those you leave behind. Don't view it as a purely financial process; instead, view the planning process as a chance to engage your spouse and heirs with deep, meaningful conversations about health, wealth and the future.

These discussions are ongoing, building on one another until you and those who matter to you have a clear plan in place, and you have the comfort of knowing your family and your legacy will be well taken care of. Some topics may be harder to talk about, but that simply means they're that much more important. 



The paperwork

Estate planning goes beyond a will. Here's a look at what you may need.

Last will and testament – A legal document used to distribute property to heirs, specify last wishes, name guardians for minors, and identify who is responsible for managing the estate and implementing your wishes. Every adult needs one. If you don't specify who'll take care of your kids and who gets your stuff, the state will.

Durable financial power of attorney – A durable power of attorney gives someone you trust authority to handle your financial and legal decisions if you're unable to do so yourself. Of course, the person selected needs to be someone who will represent your best interests.

Durable medical power of attorney – You assign a healthcare proxy or durable power of attorney (sometimes known as an advanced directive) to make medical decisions for you when you are not capable to do so for some reason. That person will need relevant health information, so be sure to include a HIPAA provision that gives your physicians permission to disclose your medical information.

Living will and medical directives – An estimated 70% of Americans have no written directives outlining how they'd like to be treated should they need life-sustaining medical treatment. A living will lets you specify what types of medical treatment you want to sustain your life, if you're terminally ill or are in a vegetative state. Medical directives apply in the event you become incapacitated and are unable to communicate your wishes for treatment.

Living trust – In many states, a living trust can be used to distribute property a little more privately than a will. It also can help avoid a costly and stressful probate court process and may offer substantial tax benefits. Living trusts also can be used to transfer assets in an orderly, and private, manner. You can even stipulate provisions for the bequests, if you wish.

Extras

Those five core documents may need to be supplemented. Here are three more to consider:

Beneficiary forms – For insurance policies, retirement accounts and some other assets, the beneficiary form prevails over the will. So whomever you've named will receive those assets unless you update the form. It's a good idea to keep current copies, as well.

Letters of instruction – A way to share any wishes not covered by a will (e.g., the needs of your minor children or whether you want to donate your organs).

List of contacts – A detailed list of people to contact in certain circumstances, including family, friends, and the professionals who oversee your legal, financial, insurance and health matters.



This article is general in nature and provided for informational purposes only. Raymond James and your Raymond James financial advisor do not provide tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

As featured in **WORTHWHILE**, a quarterly periodical dedicated to serving the clients of Raymond James advisors and aligned advisory firms.

RAYMOND JAMES®