

Creating an Estate Plan

Estate planning is a key component of a comprehensive financial plan that helps establish a foundation that you fine-tune as your personal and financial situations change.

Estate planning is the process of designating who will receive your assets after your death, or who will handle your responsibilities if you become incapacitated, in the most tax-efficient and seamless way possible.

Your financial professional will counsel you on things to think about and where to go for legal guidance and advice. As your circumstances change, they can help you determine what areas of your estate plan may need to be reviewed or revised.

9-Step Process for Creating Your Estate Plan

1. Consult an attorney

- Consider working with an experienced estate planning attorney to ensure your plan meets legal requirements and fulfills your wishes for your beneficiaries.

2. Determine your goals and objectives

- Identify your financial and personal goals to ensure your estate documents align with your intentions.
- Consider who you want to inherit your assets.
- Think about who you would want as your healthcare proxy, as well as your power of attorney.

3. Create a will

- A will outlines how you want your assets to be distributed after your death.
- Appoint a financially capable, reliable executor to manage the distribution of your estate to beneficiaries and execute other directions you specified.
- Don't neglect to list your digital assets, access credentials, and URLs (web addresses) on a sheet of paper and keep it with your estate plan. Someone will have to discontinue the

subscriptions. The list should include cloud storage accounts, photos, reward points and miles, as well as social media accounts.

- The same is recommended for your assets and liabilities so your agent can manage them accordingly.

4. Establish trusts (if necessary)

- Trusts can help you manage and distribute assets more easily. Assets in a trust normally do not go through probate because the trust agreement directs the disposition of assets. It is also private, whereas a will is not because it goes into the public record.
- During your life, certain trusts can protect your assets from creditors and others. Additionally, trusts with a third-party trustee can help manage assets more professionally for people who need it, such as a disabled person or someone with memory loss.
- Choose trustees with sufficient financial knowledge and someone you trust to carry out your wishes.
- Common types of trusts include revocable living trusts, irrevocable trusts, marital trusts, and special needs trusts.

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5. Designate beneficiaries

- Specify beneficiaries directly on accounts for retirement savings, life insurance policies, and other assets that can pass outside of your will and avoid probate.
- Title taxable investment accounts jointly with people you want to inherit the assets or make them a TOD, transfer on death, to avoid probate. Be careful not to trigger an estate gift tax.
- Caution: Once you establish a joint account, both owners have equal say regarding the account – you no longer have control and the surviving owner receives the balance no matter what it says in your will or trust.

6. Make healthcare and financial directives

- Create a healthcare proxy (healthcare power of attorney) to choose someone to make medical decisions on your behalf if you become unable.
- Establish a durable power of attorney for financial matters, making sure to go over when it takes effect with your attorney. Choose someone reliable and financially responsible.

7. Establish guardianship for minor children

- If you have minor children or children with special needs, appoint a guardian in your will to care for them in the event of your death or incapacity.

8. Ensure copies of documents are available

- Make sure the people you appoint to handle your affairs have a copy of your estate documents or know where to find them.
- Give your healthcare agent a copy of your proxy to have available immediately for the hospital or doctor, when needed. Ideally you should also have a copy on your phone for easy access.

9. Review and update

- Regularly review and update your estate plan as your life circumstances change, especially if there has been a divorce, marriage, birth, or death in the family.
- If you change your state of residence, you need to update all your documents since they are regulated largely by state law.



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Checklist of Key Estate Planning Documents

- Last Will and Testament:** Specifies how your assets should be distributed and who will manage the process (executor).
- Revocable Living Trust:** Used for asset management and distribution, particularly for avoiding probate. The creator retains control of the assets in a revocable living trust.
- Irrevocable Trust:** Also used for asset management and distribution, particularly for avoiding probate. However, the creator gives up control of the assets they put into an irrevocable trust. For this reason, an irrevocable trust can reduce estate taxes.
- Beneficiary Designations:** You specify on the accounts who receives the assets, including life insurance policies, retirement accounts, and bank accounts to avoid probate.
- Healthcare Power of Attorney:** Appoints someone to make medical decisions on your behalf if you're unable.
- Durable Power of Attorney:** Authorizes someone to manage your financial affairs if needed.
- Living Will (Advance Healthcare Directive):** States your wishes regarding life-prolonging medical treatments.
- Guardianship Designation for Minor Children:** Appoints a guardian for your children in case you and the other parent are unable to care for them.
- Organ Donation Form:** Enables you to state your desire to have all or part of your body donated for transplant or medical research.
- HIPAA Authorization:** Allows specific individuals to access your medical information.
- Inventory of Assets and Debts:** A list of all your assets and liabilities. Loans should include terms, including interest rate, amortization schedule, and other pertinent details.
- Funeral and Burial Instructions:** Details on your preferences for your funeral and burial arrangements.
- Digital Estate Plan:** Instructions on what should happen to your online accounts and digital assets.

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Helpful Reminders

1. Ensure enough assets are liquid to provide for your family and cover burial or interment costs prior to probate, which can take months to finish.
2. Be careful not to accidentally disinherit someone.
3. Try not to depend on someone to “take care of another person” without providing for that care in your will or trust. Don't forget to provide the funds to pay for that care.
4. Consult an expert before providing for someone receiving government benefits. You do not want to jeopardize those benefits.
5. When you name beneficiaries directly on your accounts, be sure your designations are consistent with your will or trust instructions.
6. Update your beneficiaries regularly to ensure your documents reflect your current wishes, are up to date with your family situation, and comply with current law.
7. Keep your records in a secure place and ensure your agents and executor have access to them.
8. Don't forget to fund your revocable trusts to ensure the trust assets avoid probate.

Remember that estate planning can be complex, and the specific documents you need may vary based on your individual circumstances. It's wise to consult with an attorney who specializes in estate planning to create a plan that aligns with your goals and complies with local laws.

As a final note, make sure your financial planner knows the details of your estate plan. By including your directions in your financial plan, you ensure your end-of-life wishes will work as you intended.

Source: Ross & Shoalmire: [What are the disadvantages of TOD accounts?](https://www.forbes.com/sites/bobcarlson/2018/04/20/avoiding-7-deadly-estate-planning-mistakes/)
[forbes.com/sites/bobcarlson/2018/04/20/avoiding-7-deadly-estate-planning-mistakes/](https://www.forbes.com/sites/bobcarlson/2018/04/20/avoiding-7-deadly-estate-planning-mistakes/)

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