



COMMON ESTATE PLANNING MISTAKES



Estate planning can be incredibly complex.
Discover how 10 common mistakes could
potentially derail your overall wealth plan.



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Common Estate Planning Mistakes

1. You’re missing key documents.
2. Personal circumstances have changed, but documents haven’t.
3. There’s no plan for your personal property.
4. Estate plan doesn’t account for digital assets.
5. You mistakenly think assets will be passed to your “estate.”
6. You haven’t named beneficiaries.
7. You haven’t titled certain assets.
8. You haven’t named powers of attorney for finances/health care.
9. Your estate plan doesn’t include a trust for a loved one with a disability.
10. Not discussing your estate plan with family.

Who needs an estate plan?

If you want to control how and to whom your assets are distributed, you need an estate plan. Without one, a judge will decide who receives your assets in a public probate process, which can be costly and take months to resolve.

As you revise an existing plan or create a new one, it can help to understand where the pitfalls may lie, so you can be proactive in creating an estate plan that aligns with your wishes for leaving a legacy and fits into your overall wealth plan.

Think of these 10 common mistakes as an estate planning checklist to help ensure you are considering key aspects of creating an estate plan with the help of your advisory team.

1. You’re missing key documents.

With the proliferation of websites that allow you to set up wills, trusts and other key estate planning documents online, it can be difficult to know which documents you need and which you don’t based on your specific situation. There are three common misconceptions regarding estate planning documents.

The first is the belief that setting up a trust isn't necessary or is only for wealthy people. Trusts play an important role in helping to ensure assets are passed to the next generation efficiently and privately regardless of an individual's net worth. Trusts may also help reduce estate tax in certain situations.

The second common misconception is that your assets and net worth don't necessitate spending money to have documents drafted. While it can be relatively expensive to have a custom estate plan generated, the benefits of doing so far outweigh the time, stress and anxiety faced by your beneficiaries if they would have to go through a public probate process. Without the proper documents in place, you leave key estate planning decisions to a judge, who is likely unaware of your specific intentions.

The final misconception is that estate planning is only focused on what happens when you pass away. In reality, estate planning is about continuing the legacy you worked your whole life to achieve and having the ability to control the way your assets are used even after you pass. With a comprehensive estate plan, the work ethic, beliefs or charitable causes you've been passionate about throughout your life can continue to be supported for years to come even after you're gone.



2. Personal circumstances have changed, but documents haven't.

Once you have the necessary key documents in place, be sure to revisit them on a regular basis and if your life and circumstances change. We often work with clients who drafted an estate plan when their kids were born to help ensure assets and life insurance proceeds are appropriately distributed upon the death of one or both of the parents. However, the terms of a will or trust established 15 or 20 years ago may no longer be a good fit for the family based on changes in relationships and family structure. And, if it's been more than three years since you've reviewed your plan, tax law has changed, so your documents should be updated to reflect those changes too.

3. There's no plan for your personal property.

The majority of estate plans allow for the inclusion of a memorandum or addendum in which you itemize the distribution of specific personal property. This can be especially important for large items such as cars and boats. However, smaller items, such as a baseball card collection or a specific family heirloom, should also be itemized. It's surprising how frequently sibling/beneficiary infighting is sparked by disagreements over seemingly small items with high sentimental value.

We recommend having a conversation with your estate planning attorney and/or your wealth advisor every few years to ensure your documents continue to reflect your current situation and wishes. These professionals can help identify potential ramifications to your estate plan that you may not have considered.

4. Estate plan doesn't account for digital assets.

With technology part of every facet of our lives, monetary assets and personal property are no longer the only considerations when it comes to creating an estate plan. Digital assets are also important. Digital assets can include social media accounts, photo libraries and any web content you have produced. Deciding how information is distributed to your beneficiaries, as well as who will be given access to your accounts, is an important task. That's why it's critical for your estate plan to also include detailed instructions regarding your wishes for any digital assets.

5. You mistakenly think assets will be passed to your "estate."

The practice of leaving money to your "estate" as a beneficiary is likely an error that arises out of a simple misunderstanding. When someone passes away, the titling of assets is critical to the way in which they are ultimately distributed to beneficiaries (See #7 below). When assets such as an IRA or taxable investment account are left to your "estate," the decision of who receives them rests with a judge through a public probate process. The judge will likely rule that the assets should be passed to your spouse and/or children. But what if one of those parties should not be receiving the assets? For example, some individuals choose not to leave assets directly to a child who may have trouble properly managing money. In addition, with potentially high probate costs, your beneficiaries may pay handsomely if you do not make the necessary designations.

6. You haven't named beneficiaries.

Keep in mind you'll need to name beneficiaries for certain assets that are distributed to them independent of your will, such as an IRA, bank account or insurance policy. If you've gotten a divorce, lost a spouse or experience some other life event, such as the birth or adoption of a child, you'll want to update your beneficiaries so that those assets don't go to unintended beneficiaries.

7. You haven't titled certain assets.

Work with your estate planning attorney to title personal property items, such as cars, boats, and even your house, to help ensure they are distributed according to your wishes. If certain assets are jointly titled, make sure that arrangement still makes sense. If you create a living trust, and it becomes the owner of certain assets, such as real estate, you'll need to change the deed to reflect the trust as owner.

8. You haven't named powers of attorney for finances/health care.

You'll want to plan ahead by naming a general power of attorney in the event that you become disabled and unable to make financial decisions for yourself. You'll also want to name a health care power of attorney. It could be the same person or a different one, and it can be a family member, friend or a third party. Make sure if you name a family member or friend that the individual understands his or her responsibility.

9. Your estate plan doesn't include a trust for a loved one with a disability.

If you have a child or relative living with a disability, it's important to put an appropriate trust in place to protect the individual after your death. Work with an estate planning attorney and wealth advisor specializing in planning for your loved one to create a trust that still allows him or her to be eligible for public assistance.

10. Not discussing your estate plan with family.

In the event of your death, your family could be left with more questions than answers if you haven't discussed your estate plan with them. You'll want a family member to know where your documents are and who the executor of your estate is for overseeing the distribution of your assets. You'll also want to share any documents related to your funeral arrangements if you've drafted those. In addition, if you've decided which family members will receive which sentimental assets or heirlooms, to avoid family conflict, it would be helpful to share that with them while you are living so they understand your wishes.

Consult With Your Advisor

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