

# FINANCIAL TIPS

QUICK AND ACTIONABLE IDEAS TO HELP IMPROVE YOUR FINANCIAL WELL-BEING



## Estate Planning: Get it Done!

Simple estate planning is one important way to ensure your loved ones are cared for and your intentions are known.

**E**state planning, when done correctly, can be an uplifting and positive experience for your family. Taking the time to organize your intentions and desires are a gift your family will always remember. In fact, they'll also remember it if you don't do it!

This article is about the proactive steps you can take to design an effective estate plan, and avoid the risks of the default plan (i.e. when you don't have a plan in place). Here's what's covered:

- Why have an estate plan?
- Power of Attorney
- Health Care Proxy
- Living Will
- Will
- Costs to set up a plan

### Why have an estate plan?

Creating an estate plan involves deciding on and arranging in advance a detailed proposal for how you want your finances, health, and property handled when you can't someday because of an

illness, disability, or death. What many people don't realize is that, whether you plan or not, there are a set of default choices predetermined for you by the state governments where you reside. For most clients we work with, those default decisions are not in sync with the choices they would make if they were aware of the options. The good news is, that it's legal and encouraged to circumvent the default options and design your plan to align with your values, family needs, and personal priorities.

People who have an estate plan benefit by avoiding family conflicts, shielding assets from creditors, minimizing the costs associated with asset transfer, protecting their loved ones, and receiving higher-level care at preferred rates. The benefits are significant, especially compared to the relatively small investment of time and money it takes to create a simple plan.

The basic elements of a simple estate plan include the four documents outlined in this article.

### Power of Attorney

The first step in any estate plan is to provide for your own needs, anticipating that at some point you might become unable to manage your finances or make medical choices. If you become incapacitated, someone needs to be able to take over your finances, from paying bills to authorizing

## **Power of Attorney continued,**

stock trades, and everything in between.

When selecting a Power of Attorney (POA), it's important to choose someone who is organized, understands money, how to pay bills, and most importantly, whom you trust. The POA may be effective immediately or you may specify that is activated by a specific event, such as when you become incapacitated.

Other important considerations include adding a second person who can become the agent if, for any reason, the first person cannot do the job.

***The key element of a plan for incapacity is that it must be in place before you need it.***

## **Health Care Proxy**

Separate from handling your finances, someone needs to be able to make medical decisions when you no longer can. The Health Care Proxy (HCP) appoints this person to serve as your medical decision maker if you are incapacitated and no longer able to make these decisions. It also gives the agent access to your medical records.

When selecting an HCP, it's important to choose someone you trust and who understands your emotional and physical needs. Ideally, this person knows your desires and is responsible. They should be able to make choices that allow you to live out your life with dignity.

Similar to the POA, you should consider adding a back-up HCP when creating your estate plan. It's also important to allow these people to act independently, as medical decisions can be especially time-sensitive.

## **Living Will**

If you have preferences about end-of-life care, you should create a living will (sometimes called an advanced directive). This is a written statement that expresses your wishes. This document typically covers pain relief and whether you want life-sustaining treatments such as feeding tubes, resuscitation, or a ventilator that might prolong life but not necessarily ensure your recovery.

The Living Will helps the HCP and family through the toughest decisions. It also ensures your intentions are known and can be carried out according to your desires. Likewise, having a funeral plan can ease the burden on loved ones by clearly outlining your requests. Our experience in

working with families is the more clarity provided to your loved ones, the less stress there is for everyone involved.

## **Will**

The cornerstone of many estate plans is the will. It provides instructions to transfer assets, appoint guardianship for minor children and name an executor to oversee the estate of the deceased. If you die without a will (known as "intestate") state law determines how your belongings are distributed and who serves as guardians for minor children. The default options can lead to awkward and contentious situations.

Many people consider a will the only document needed for an estate plan. However, the will should be the document of last resort in a properly constructed plan. Although it is beyond the scope of this article, a good estate attorney will guide you through the decision-making process of what other documents to incorporate in your estate plan. These could include a living trust, transfer on death instructions for financial accounts, testamentary trusts for minors, and possibly more advanced strategies for asset protection and inheritance tax reduction.

## **Costs to set up a plan**

There are two costs to consider when you hire an attorney to set up your estate plan: today's costs and future costs. Estate planning is a highly specialized field of law and you should seek out an attorney whose sole focus is estate planning. While this might mean a higher upfront cost, it will certainly be less than the higher future costs associated with errors or omissions in your estate planning documents.

Plan costs tend to vary based on your location and the size of the firm you choose. If you're in a large city and choose to work with a large law firm, you'll pay more than working with a smaller firm in a suburban or rural location. The cost to set up a basic plan including the four documents outlined in this article should range from \$500 to \$2,500. For younger families with fewer assets, this range is an appropriate expectation. If you have greater resources and are older, expect to need more sophisticated planning. ■

**If you have questions please reach out to us at (585)340-6538 or [info@okeefestevens.com](mailto:info@okeefestevens.com).**