

7 ESSENTIAL ESTATE PLANNING DOCUMENTS

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Research indicates that about \$30 trillion in assets will be transferred from baby boomers to members of Generation X and to millennials in the coming decades. This represents the largest transfer of wealth in history.

However, transferring that wealth isn't always straightforward. Whether someone plans to transfer that wealth to his or her heirs, or whether they expect to receive a piece of the pie, estate planning is essential.

Estate planning is about more than just coming up with a will, though. A successful estate plan allows for the transfer of assets to heirs, as well as providing a plan for family members to manage assets if the owner of the assets becomes unable to do so.

Here are seven estate planning documents that that are essential for preserving one's legacy:

No. 1 | Will

The cornerstone of any estate plan is the will. A will must be drafted according to state laws in order to designate where property goes after a person passes away. Another important aspect of a will is making sure that designated beneficiaries match what's in the will. If there are discrepancies, it could result in a contested will and a protracted legal fight between heirs.

It's advisable to review a will regularly to make sure it accounts for any changes in life. With the addition of children, a change in marital circumstances, or other major events, people often reevaluate how they apportion their assets.

No. 2 | Trust

For many families, a trust can make sense. Depending on state laws, and the type of trust chosen, it can make it easier to pass assets to family members. In some cases, it's possible to limit estate taxes and legal challenges to a will when assets are held in a trust. Plus, in jurisdictions where wills are made public, a trust can provide a degree of privacy.

A professional can help determine whether or not a trust makes sense for a given situation, as well as help someone decide which type of trust is likely to help best preserve his or her legacy.

No. 3 | Beneficiary Designations

Some assets, including retirement plans and insurance policies, require that beneficiaries be designated. These beneficiary designations take precedence over what's in a will. So, if an ex-spouse is named as the beneficiary to an IRA, that's where the money will go—even if the deceased wants the assets distributed to adult children.

It's critical to keep track of beneficiary designations, and make sure they are consistent with what's in a will. As with a will, people should review these designations regularly and update the designations as needed. It's a wise move to add a contingent beneficiary if possible; this way the second-choice beneficiary will receive the assets in the event that the first beneficiary is unable to serve or is deceased.

No. 4 | Durable Power of Attorney

Depending on the jurisdiction, if someone becomes disabled, a court may be able to decide how to manage their assets—unless they have an agent who can act on their behalf. The durable power of attorney empowers that agent—someone trusted—to transact financial and legal business on behalf of the person should he or she become disabled.

Once the person recovers sufficiently to take over, the power of attorney reverts back to them. An agent might be a spouse, a child, or some other trusted advisor in or out of the family. It's also possible to designate more than one person and require them to act in concert.

No. 5 | Healthcare Power of Attorney

Durable power of attorney takes care of most financial and legal transactions. But what about important healthcare decisions when someone is incapacitated? This is where a healthcare power of attorney comes in. This person will make decisions about how to proceed with healthcare decisions, often involving life or death choices. If possible, it's wise to designate a backup agent who can take the responsibility if the first choice is unable to act as needed.

No. 6 | Guardianship Designations

For people who have, or are considering having, children, it's important to choose a guardian. In many cases, this aspect of estate planning is overlooked.

Designating a guardian provides assurance that children will be cared for and raised according to parents' wishes. Designated guardians should have interest in raising children, share the parents' values, and who are financially sound. Without guardianship designations, there is a greater chance that the court will become involved in a custody battle that could negatively impact children.

Additionally, some people may want to designate guardians for pets.

No. 7 | Letter of Intent

This document isn't always considered "*official*," but it can help an executor better carry out a person's wishes. The letter of intent should state where a person wants assets to go, as well as offer details for a funeral or other arrangements. The letter of intent can also be used as a backup if a will is considered invalid. This letter, shown to a probate judge, can at least provide direction for assets. Depending on the jurisdiction, this letter might be non-binding, but it can bolster the case for the deceased's intentions, if needed.

No matter how someone comes by their assets, it's important to increase the chances that they will go to the next generation in a smart way. No one should put off estate planning until it's too late—consulting with a professional and preparing the necessary documents as soon as possible is the only responsible way to go.

For more information, please call **407.585.1160**

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