

## **Estate Planning: It's for Everyone**

*Presented by Michael McNaughton and Daniel Schmitz*

If you're like many people, you've thought about making an estate plan, but you just never get around to doing it. Perhaps you're too busy, or maybe you'd rather avoid considering what will happen in the event of your incapacity or death. Although these concerns are understandable, estate planning is a vital component of your financial well-being—and one that's best tackled sooner rather than later.

### **Why you need an estate plan**

An estate plan is designed to provide financial security for your family, ensuring that your property will be preserved and passed on to beneficiaries. In addition, it can:

- Minimize estate taxes and other administrative costs
- Ensure competent management of your property in the case of incapacity
- Enable you to provide for a favorite charity
- Help mitigate or avoid disputes among family members

Contrary to popular belief, you don't need to have significant wealth to have an estate plan. Basic estate planning is for everyone. Putting a plan in place will help you protect assets during your life and control how you wish your estate to be distributed on your death, as well as ease the administrative burden on your family.

### **Getting started: the essential documents**

Your estate plan should include three basic sets of documents: a durable power of attorney (POA) for financial matters, a health care POA (and/or a living will), and a last will and testament. Depending on your goals and needs, your plan may also include a trust agreement. Let's review each of these items and the important roles they play in your planning.

**Durable POA for financial matters.** This document allows you to appoint someone to handle your financial matters in the event that you become incapacitated. If that happens and you have not appointed an agent to act on your behalf, your family would need to seek probate court authority in order to take over your financial responsibilities. You can also use a POA to authorize an agent to sign legal documents for you. For example, if you plan to travel out of the country for a lengthy period of time, you may appoint someone to handle your financial affairs while you are away.

**Health care documents.** A health care POA allows you to name an individual to make medical decisions on your behalf in the event you are unable to do so. It may be used in conjunction with a living will, which authorizes your health care provider to take specific actions in the event that life-sustaining decisions need to be made. A living will also serves an important function if the agent or other individuals named in your health care POA are unable to make a decision on your behalf in regard to continuing life-sustaining treatment.

**Last will and testament.** A will dictates who will receive your property upon your death and under what circumstances. It also enables you to direct the payment of estate administration

expenses and taxes and to nominate an executor to handle these matters. Even more important, it allows you to designate a guardian for your minor children. As part of your will, you may want to consider creating a testamentary trust that names a trustee to continue managing assets for specific beneficiaries. Often, these types of trusts are established to oversee assets for a minor beneficiary until he or she reaches a specific age.

**Revocable trust.** With a revocable trust, you can maintain control and ownership of the trust assets during your life and direct how and when your beneficiaries will receive trust distributions upon your death. Additionally, by funding a revocable trust during your life, your assets will avoid probate administration. If a pet is an important part of your family, many states now permit legally enforceable pet trusts, which allow you to provide funds to a trustee for the future care of the animal.

### **Other considerations**

Keep in mind that a will governs only probate property; a trust governs only assets owned by the trust. In addition, some assets pass outside of probate by virtue of a beneficiary designation or the manner in which title is held. To ensure that they will be distributed according to your wishes, it's essential to review the ownership and beneficiary designations of these assets, which include:

- Jointly held property
- Life insurance proceeds
- Retirement benefits
- Employee death benefits
- Retirement plan proceeds

Although estate planning may seem complex (and it can be), working with experienced professionals will help ensure that your plan meets your needs. If you'd like to get started, or if you need help evaluating your current estate plan, please don't hesitate to reach out to us.

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