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**Estate Planning Made Simple**

Perhaps the least exciting, most fear-inducing prospect to consider is your own death. No one likes to acknowledge the reality that, at some point hopefully in the distant future, they will die. However, fear of death or any intimidation you feel should not inhibit you from creating an estate plan. If you own anything of value, you should have a will. Not only will you have peace of mind that your belongings will be distributed to your exact standards, but you will be providing your loved ones with clarity and financial security during an extremely sensitive and confusing time for them.

**Why do I need an estate plan?**

Most people assume that after they die, perhaps by beyond-the-grave intervention, their property will be distributed exactly as they intended even without a will. These people are often under the impression that their loved ones possess some transcendent understanding of their wishes. However, neither of these notions is reality.

After you die, everything you own becomes your **estate**. If you have a will, your estate will go through the **probate** process, whereby your will is verified and your final wishes are granted. In cases where a will is contested, probate can drag on, but if the plan has been laid out clearly the will is often airtight. On the other hand, if you die without a will, you are considered to have died **intestate**. At this point, the court will appoint an executor to manage your estate. If having an estate plan is not important to you, consider whether you are comfortable letting a court decide who will manage your estate and to whom your assets will be distributed.

There are laws that govern distribution of property through intestate succession, but these vary depending on if you live in a common law or community property state. So, unless you are well-versed on your state’s laws on intestacy and approve of the way your assets will be distributed after you die, you need an **estate plan**.

**Planning Your Estate**

As you go through this process, be specific, realistic, and personal in giving instructions about how your affairs should be managed posthumously. Give yourself peace of mind and avoid creating conflict or confusion for your loved ones.

* **Set goals.** Think about what you want to accomplish with your estate plan. These goals are largely dependent on your role at home, business interests, and values. Keep in mind that regardless of the time in your life when you set these goals, they are subject to change as your relationships evolve and your priorities shift.
* **List all assets and debts.** After you die, assets are

**Assets You Might Own**

*Below is a list of common assets that should be identified in your estate plan along with any other assets you own.*

* Bank accounts
* Retirement accounts
* Health savings accounts
* Investment and brokerage accounts
* Any paper certificates, like a treasury bond
* Real estate
* Personal property of value
* Safe deposit box information
* Insurance policies
* Business interests
* Digital assets, like passwords and email accounts

used to clear your debts and the remainder will be

distributed to your heirs. Once you have calculated

the difference, think about the potential to meet your

goals. If you are not happy with the amount that will

be shared among your beneficiaries, you can make

changes to your income or spending habits to create

a larger inheritance for them.

* **Assemble an estate team.** These are the people

who will be responsible for your estate after your

death. Select an **executor**, who will manage your

estate through the probate process, and an

**attorney-in-fact**, who can make decisions on your

behalf while you are alive or if you become

incapacitated. Once selected, make these people

aware of your choice. Because they might refuse, you

should have one or two other people in mind for

each role. Remember that being an executor of a will

**Taxes on Your Estate**

is a time-consuming and often draining role, so you

**Estate tax** applies to your estate before anything is distributed to your heirs. As of 2020, estates under $11.58 million are exempt from federal estate tax. Although most states do not tax estates, you should research your state’s laws when drafting your will.

**Inheritance tax** applies to assets heirs inherit from an estate, not the estate itself. Again, few states have an inheritance tax, but you should still research your own state’s laws regarding this tax.

If you anticipate having an estate worth over $11.58 million, there are ways to minimize your tax payment. Besides simply shrinking your estate by spending more money, you can transfer assets to a trust. One such trust is an **Irrevocable Life Insurance Trust (ILIT)**. Here, you are the insured and the trust is the policyholder. Provided you live three years after the transfer of an existing policy, proceeds from the policy will stay in the trust and will not be included in your estate.

might consider allocating funds to compensate your

selected executor.

* **State your wishes.** Consider your preferences

regarding medical care, funeral arrangements,

guardians for your children, and anything else you

feel strongly about. Once you have made these

decisions, tell your estate team so that they are

aware of your intentions.

* **Create your estate plan documents.** These clearly

state your plan so that you will be understood by

probate court, your estate team, and your family.

Each document should be signed and dated.

* + **Last will and testament.** A will gives

instructions on how to distribute your money,

assets, and property.

* + **Letter of last instruction.** This letter is a

plain-English explanation of your will. Here,

you will include your wishes and final

comments as well as details about important

financial matters.

* + **Living will.** A living will details what kind of

treatment and health care you want if you are

no longer able to take care of yourself.

* + **Durable power of attorney.** Here, you name your attorney-in-fact, the person who you want to handle your affairs if you become incapacitated.
  + **Life insurance policy.** Life insurance provides additional financial stability for your spouse and dependents.
  + **Living trust.** A trust is a legal entity through which heirs can access assets. Although not necessary for a complete estate plan, a living trust allows you to avoid probate for assets in the trust.

**Should you hire an attorney?**

* **Gather important paperwork.** Collect copies of all

important documents, such as birth and adoption

Early in the process of developing an estate plan, you should consider hiring a lawyer. If your estate is large or complicated, you should hire a local estate planning attorney as they understand the intricacies of your state’s law. Hiring an attorney can be expensive, but it is often worth the investment as their work is ironclad and reduces the risk of someone contesting your will.

certificates, marriage and divorce documents,

property titles, and business and investment share

certificates. In the event of a dispute, having these in

one place can help prove ownership or relationship

changes.

* **Store your estate plans.** Keep these plans in a safe

place and give copies to your attorney. Additionally,

ensure that your estate team knows where these

plans are stored and how to access them if you die or

become incapacitated.

* **Update your plans.** Your estate plans are not

**Review Your Estate Plans…**

written in stone. Review them periodically during

your life as your personal or financial situation

changes. When you make revisions, update your

estate team and your family. Additionally, keep

beneficiary designations up to date on life insurance,

annuities, and retirement plans. This removes the

income on these assets from probate.

* **Talk to your loved ones.** Make your intentions

clear to your family before it is too late. By talking

about your plans for the estate, you avoid hurting or

confusing them by your decisions.

**Contact us!**

* Periodically
* After major life events
* Before traveling
* Before surgery
* If preferences change
* If your financial situation changes significantly (if you acquire new assets or incur major debts)

Estate planning is difficult, but necessary if you have anything of value and want it to go somewhere specific after you die. If you have any questions about planning your estate, specifically details about your assets or beneficiary designations, please reach out to our office by phone at **(225) 223-6048** or email us at **admin@graffinancial.com**.