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Important Steps in Preserving Your Estate

If you are like most people, wills, trusts, life insurance, disability income insurance, and advance directives are topics you would just as soon avoid. Yet, timely planning is necessary to preserve the assets you have worked so hard to accumulate and to protect your loved ones. Here are some important steps you can take now to help ease your family's emotional and financial burden in the event of your death:

PREPARE A WILL

This document specifies how you want your assets to be distributed after your death. If you die without a will (intestate), your estate will be distributed through the **probate** court according to the intestacy laws of your state. Intestacy laws essentially function as a "one-size-fits-all" will. Without a will, your assets may or may not be transferred to those you would have chosen. Generally, you must have a will if you wish to designate an **executor** for your estate, name guardians for minor children, or appoint other fiduciaries.

CONSIDER A LIVING TRUST

Also called an inter vivos trust, a living trust is established during your lifetime. It provides a mechanism to protect, manage, and distribute your assets. These trusts are revocable, which means that you retain complete control of your assets and may alter the trust at any time. Most people establish living trusts to avoid probate, which may make sense for those who are concerned about privacy, since probated assets are a matter of public record. It may also benefit those who own property outside their state of domicile, since their estates might be otherwise be subjected to multiple probate proceedings. Once a trust is established, assets must be transferred into it, or they may be subject to probate.

Keep in mind that a trust's usefulness depends on the *type* of property involves (e.g., real estate, life insurance, bank accounts, investments, business interests, and personal property), *where* it is located, and *how* it is currently titled. Generally, a living trust does not eliminate the need for a will.

TITLE PROPERTY FOR EASE OF TRANSFER

A simple and inexpensive estate planning technique is to own property as **joint tenants.** Many couples own their personal residences this way. With jointly owned property, when one partner dies, the property automatically passes to the surviving partner without the need for probate. However, it is important to note that **community property** states have their own laws governing the disposition of assets.

PURCHASE LIFE AND DISABILITY INSCOME INS

Life insurance can help provide a source of replacement income for your family in the event of your death. The death benefit may also be used to help pay estate taxes or other immediate financial obligations. According to the Social Security Administration (SSA, 2012), a 20-year-old worker today has a 3-in-10 change of experiencing a disability before reaching full retirement age. Disability income insurance can replace a portion of your income if you experience an accident or illness that prevents you from working.

ESTABLISH ADVANCE DIRECTIVES

It is essential to have a **living will, durable power of attorney, and health care proxy** in place in case of physical or mental incapacity. A living will allows you to express your preferences regarding the giving or withholding of life-sustaining medical treatment. A durable power of attorney and health care proxy allow you to designate a trusted individual to handle your legal and financial affairs and make your medical decisions if you are unable to do so. Be sure to inform those closest to your of your arrangements and the location of all related documentation.

The key to successful estate preservation is planning.
So, don't put it off.
Consider taking these important steps now.

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