

Making a good estate plan great

Before we talk about how to make a good estate plan great, we need to talk about the need to even have one.

Why? Because, according to a recent Gallup Poll, half of American adults don't even have a will, let alone an estate plan.

Without an estate plan, you are leaving no direction for:

- Who should get your assets, and in what proportion
- Who should care for your minor children, if you have them
- Who should handle your finances if you become unable
- Who should make health care decisions for you if you become unable to make them for yourself
- How you want (or don't want) life-sustaining medical care

That's a lot of major decisions to leave to others. Without a good estate plan, you are being unfair to those who try to guess what you would have wanted. Often, without clear direction, heirs may interpret your wishes differently and fight over these decisions. These fights can lead to bitter family feuds and unnecessary legal costs that last for years.

So what makes a good estate plan great? Here are some quick tips:

1. **Be sure to consider all the parts.** You'll need a will or trust to instruct who gets what of your worldly possessions. You'll need a durable power of attorney to name someone to handle your affairs if you become unable. A living will spells out whether you want to be kept alive and under what circumstances. And a health care proxy names someone to make sure your living will is carried out.
2. **Don't overlook the importance of the living will and health care directive.** This can be the really messy part. As some estate planners say, distribution of assets when you die can be fairly straightforward. But dealing with an extended, severe illness can be much more complex. Suppose you are in a bad car accident and land in a hospital bed, in a coma, with very little brain activity. Who decides how long to keep you alive? Who decides to end life support? How is your extended care paid? Who sues the drunk driver who hit you? All of this can be taken care of with a living will, health care proxy and durable power of attorney. Without them, family members may get into a dispute over what is best and take the case through the courts. Meanwhile, you may eat up thousands of dollars—even your entire estate—in medical and legal costs. Is this the legacy you want to leave?

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3. **Don't be afraid to spend money on the documents.** You don't have to use an attorney, your tax accountant and financial planner. Some companies sell inexpensive software packages that allow you to create your own documents. But professionals will be more thorough, and help you think of situations that you may overlook on your own. What happens if you state one beneficiary for an investment account, another for your assets in your will, and yet another in your trust? Which gets honored? Often, it is worth the investment to hire professionals now to avoid conflicts and facilitate a speedy distribution upon death. A professional can help you structure your plan to minimize estate taxes, too!

Nobody wants to think about their demise. Yet an estate plan is one of the most kind and meaningful gifts you can give to your surviving loved ones. There is an immediate potential benefit to you, as well: peace of mind that you have taken care of these difficult decisions—for yourself and for your heirs.

Sidebar:

Estate Planning Facts

\$2 million	The amount you may pass estate-tax free to your heirs
\$4 million	The amount you and your spouse may jointly pass estate tax free
37% to 49%	The estate tax

Sources

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