Five Common Estate Planning Mistakes

Generational Wealth Transfer Series

When was the last time you told yourself, “Today is the day I’m going to draft my estate plan?” We all know it’s a good idea, but many of us fail to put a plan in place. When you do, it’s important to make key decisions that can protect your assets, and your family, down the road. Here are some common oversights and assumptions that you can avoid as you construct your estate plan.

1. You don’t need to be rich to have a plan

First, you should know that if you die without a will, whatever assets you do own will be distributed according to the rules of your state. It is very unlikely that their views are consistent with yours. Further, estate planning is more than how you leave your assets to your future heirs. It entails other important considerations, such as your preferences for end-of-life care, providing for your children after your death, even your funeral wishes. Perhaps just as important, putting your intentions in writing will reduce the burden on your loved ones.

2. It’s not written in stone

Remember that once your plan is drawn up, it is not finished. You may feel relieved when it’s done, inclined to file it away for the future. Remember, your world, your family, even federal tax policies will keep changing, and so too must your estate planning strategies. It is important to revisit your plan at least annually and after significant life events, such as marriage, relocation or the birth of a child.

3. The unexpected really could happen

While death is an eventual certainty, an unexpected accident or long-term disability could have significant consequences on your financial affairs, as well as those of your family. When you craft your estate plan, you will make important decisions on your end-of-life care treatment, as well as who will handle your finances or make healthcare decisions on your behalf. Doing this will not only contribute to your comfort today and in the future, it helps reduce anxiety and stress for your loved ones should this situation ever arise.

4. Forgetting to update your beneficiary designations

Your company’s 401(k) plan, your insurance policies, your IRA...do you remember who you designated as beneficiary? These designations will override what is written in your will, so it’s important to periodically check to make sure they are up to date. Remember, life is constantly changing and new people will enter, and leave, your life. If neglected, a deceased person or former spouse could remain listed as your beneficiary.

5. Relying on online documents and legal advice

Estate planning is not simply drawing up a will that you found online. Seeking the guidance of an estate planning professional, even if you don’t have a lot of assets, can help your heirs avoid a significant tax bill upon your death. Professionals do more than just provide you with tax-planning advice based on your specific goals and objectives. They will make sure all the proper documents are in place and offer guidance on selecting the professionals — executors, guardians, healthcare agents — who will oversee your plan for you.

To learn more, please speak with an estate planning specialist for more information on estate management issues, or with your financial advisor for more information.

This information is general in nature and not intended to constitute legal, tax or estate planning advice. Please consult your legal, tax or estate planning advisor for more detailed information on these issues and advice on your specific situation.

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