

A Simple, 10-Step Estate Planning Guide



Estate planning becomes more and more important as we age, accumulate wealth, and have children and grow our families. No matter what age you are, it's a good idea to consider beginning the estate planning process.

Why Estate Planning is Important

A proper estate plan helps to ensure that, when you pass away, your assets will be distributed according to your wishes and not according to the state law rules. Estate planning also helps your descendants avoid the slow, painful, and costly probate process. So now that you understand why estate planning is important, get started with this 10-step estate planning guide.

Step 1: Create a Will

A will is probably the most crucial piece of a proper estate plan. It determines who will inherit your property and how your wealth and assets will be distributed. It also appoints a guardian for any young children you may have, in the event that both parents are no longer around to care for them.

Step 2: Set Up a Trust

A trust is a necessity if you own property because it will allow your heirs to avoid the lengthy and costly probate process, meaning they will receive their inheritance much sooner.

Step 3: Arrange a Power of Attorney for Health Care and Financial Matters

Granting someone a “power of attorney” will protect your wishes in the event that you become incapacitated and are unable to make medical decisions or handle financial matters. You should declare what your desired approach to health care will be in your living will, and appoint an “agent” to make decisions for you and carry out your plan. You will also appoint an agent to manage your financial matters, such as paying taxes, selling property, managing bank accounts, and more.

Step 4: Appoint Beneficiaries and File the Forms

You will want to appoint a beneficiary for your bank accounts, brokerage accounts, and retirement plans, and file the necessary paperwork. This will ensure that, upon your death, those funds become payable to the appropriate beneficiary and your heirs will be able to avoid the probate process.

Step 5: Buy Life Insurance

Life insurance is a good idea if you own property or have young children or other dependents relying on you for financial support. It will provide them an immediate source of cash to take care of themselves, and also can be used to pay off any debts you owe or estate taxes.

Step 6: Prepare for Estate Taxes

The vast majority of people won't have to worry about estate taxes, but if you are wealthy and have a lot of assets, estate tax planning should be a major concern. Talk to an accountant and tax lawyer to make sure your estate is properly structured to minimize your estate's tax liability.

Step 7: Protect your Business Interests

If you are a business owner, you need to have a plan for what will become of your business when you pass on. If you're the sole owner, you should have a successor in place. If you are a shareholder in a private corporation or member of an LLC, be sure to have a buyout agreement in place.

Step 8: Provide for Funeral Expenses

It can be a major burden for your heirs and family members to have to come up with the cash for funeral expenses. So if it's feasible for you, set up a bank account with enough funds to cover your funeral that becomes payable upon your death.

Step 9: Final Arrangements

Decide whether you will be buried or cremated and whether you will be a tissue and organ donor and make those wishes known so that your body can be disposed of according to your wishes.

Step 10: Gather and Store your Documents

Finally, you need to make sure that your descendants will have access to all the documents related to your estate plan, including your will, trusts, insurance policies, bank account info, stock certificates, info about any debts from credit cards and mortgages, etc. Keep them in a safe place and make sure the appropriate people know where to find them.

Estate planning can be a headache for many people, but it is extremely important and can make a world of difference to your loved ones after you pass away. The best thing you can do is to hire a qualified estate planning lawyer to properly advise you on all of these key areas. Doing so will ensure that your loved ones will be as well off as possible when you're gone.